

## The Foundations of Political Economy: Theories of State and Market

**Winter 2017**

**Thursday: 10AM-12Noon**

**Room: UC44**

**Professor Dan Breznitz**

**Office: Devonshire 361S**

Office hours: Wed 2:30-3:30 PM

dan.breznitz@utoronto.ca

### **Objectives:**

This advanced seminar explores the core social science theories looking at the relationship among state, economy, and society. The course requires close reading of texts, spanning from the foundational works of political economy to paradigmatic contemporary works in Liberalism, Marxism, Neo-Classical Economics, Socio-Political Thought, and Institutionalism. We will examine the fundamental assumptions on which our understanding of the social world and contemporary research in political economy are based, and their application to the most urgent questions of our time, such as inequality and the role of the state in industrial development. Participants in the seminar are required to do all required reading before weekly class meetings, to lead one or two class discussions, and to complete rigorous essay assignments.

While this course includes a lecture component, student participation and the Socratic mode of debating and collective learning are critical for success. Accordingly, students should come prepared for class, express their views, and home in on concerns that both readings and their life experience lead them to think are critical. The instructor EXPECTS the students to come with timely subjects that are related to the overall class subjects from the *Economist* or other similar news sources.

### **Course Requirements:**

As the semester progress the classes will progress from a lecture/discussion format toward one mixed with students' presentations and class critic of pre-prepared briefs. *Failure to participate at a level expected of a PhD student will result in a failing grade for the class.*

### **Participation (35%)**

Participation contains two graded components. First, attendance is mandatory. While you are permitted one unexcused absence (there is no need to email the instructor about this), I will deduct 10% from your participation grade for each additional, unexcused absence. In addition, failing to appear to three classes without excuse automatically results in a

failure (that is a grade of an F). I also reserve the right to lower your participation grade if you are consistently late to class.

Second, I expect you to participate actively in class, answering and raising questions about the reading. Students who are not comfortable speaking in seminar are encouraged to participate in other ways, by participating in the group presentations, speaking with me after class, visiting during office hours, emailing me or the class. All of this counts toward participation.

To grade participation as objectively as possible, all students begin the semester with a 60 (C-). I will add 1 point for each substantive comment or question (“I agree with what everyone else said” and “How much longer until class ends?” do not count as substantive remarks). This grading schema enables both of us to track your participation in a consistent, transparent and objective way. Be aware that I may miss a comment here and there, so students striving for an A+ should aim to participate at least thirty times over the course of the semester. *I also reserve the right to **lower** your participation grade if you are engage in disruptive behavior or fail to contribute equally to the group assignments.*

### **Briefs (35%)**

In addition to completing the readings, attending class and participating in class, you will be responsible for completing briefs with which we will start the class discussion of that week’s reading. You are to share these briefs with all other students and the instructor at by Wednesday at 10AM (that is 24 hours before class). The briefs are to be **SHORTER** than five pages, written double spaced in new work times, font size 12 with borders of 1 inch on all sides. Grade would be divided equally between the brief and the class discussion leadership.

### **Essay (30%)**

We will one essay of 10 pages (written double spaced in new work times, font size 12 with borders of 1 inch on all sides), on subject given by me. These essays will be graded for argument, clarity, explanation and evidence. In short, I am looking for (1) A compelling, logically consistent *argument*; (2) A *clear*, well-organized essay with a (short) introduction, body and conclusion, logical transitions from one paragraph to another and coherent paragraphs in which the body of the paragraph supports the topic sentence; (3) *Explanation* of the logic or causal mechanisms underpinning the main argument and supporting claims; (4) Finally, arguments should be supported with *evidence*.

To illustrate what this means in practice, an A paper presents an exceptionally clear, logically consistent and compelling essay supported by detailed and accurate evidence and explanation. A B paper is solid, but flawed. It might be well-researched, but fails to present a clear proposal. Or it presents a clear proposal, but fails to consistently support that argument with detailed explanation and evidence. In a C paper, the evidence is so thin and the errors are so significant that it consistently undercuts the argument. A D or

an F usually fails to fulfill the basic requirements for an essay. The paper might be too short, wildly off topic or fails to resemble a scientific paper. Of course, I will take other factors into account in grading your paper such as creativity (this is good) or unclear writing (this is not good).

A separate, more detailed set of guidelines is in the class dropbox folder. Please review this document several times.

## **Course Conduct**

### **Accommodations**

If you require accommodations for a disability, or have any accessibility concerns about the course please contact Accessibility Services ([www.accessibility.utoronto.ca](http://www.accessibility.utoronto.ca)). I also encourage you to contact me as I may be able to help even where Accessibility Services cannot. I am more accommodating if you contact me at the beginning of the semester.

### **Disruptions**

You are asked to follow basic etiquette in class by arriving and leaving on time, silencing all electronic devices, raising your hand before speaking in class and refraining from insults or threatening behavior. I reserve the right to lower the participation grade of students that do not adhere to these basic guidelines.

### **Absences**

As described above, you are permitted *one* unexcused absences over the course of the semester to deal with unexpected deadlines, scheduling conflicts, medical illness or family emergencies. Please do *not* email to apologize for missing class or request a one-time exception to this policy. *Do* contact me (as soon as you can) if you wish to be excused from class for chronic conditions, medical emergencies, family crises or professional-related conference presentations, workshops and job interviews. To count as an excuse, you must contact me in a prompt manner (do not send me a list of excuses on the last day of class).

*Also as a reminder, three (3) unexcused absences will automatically result in an F grade for the course.*

### **Late Papers**

You are required to turn in all assignments on time. The penalty for late submissions is one third of a letter grade if turned in within an hour of the deadline and two-thirds of a letter grade if turned in within 24 hours of the deadline. Later submission will result in failure unless agreed upon with the instructor in writing in advance.

### **Plagiarism**

Plagiarism is a most serious academic offense and the offender will be punished accordingly. In the academy where the currency of the realm is ideas, to cite someone else's words or thinking without due attribution is theft. *It is not sufficient to just list your sources in the bibliography or to only use footnotes.* You must ensure that you identify and attribute all of your sources in text, whether you are quoting them directly or paraphrasing them. Please see the linked documents [How Not to Plagiarize](#) and [Standard Documentation Formats](#) respectively. Should you require any further assistance with how to properly reference and footnote your work, please consult one of the many guides available in the library or the Writing Center.

### **Contacting the instructor and email policy**

Please feel free to stop by my office during office hours. In case you cannot make those, you should set up an alternative appointment by e-mail. I will do my best to respond to e-mails within 72hrs. Please note that I will not be checking e-mails on weekends or after 5PM, so if you leave your requests or queries to the last minute you will not be provided with an answer.

Also please be aware that sending an email does NOT mean it was received. ONLY if I answer the email can you treat the emails as received. Hence, letting me know that you are not going to be able to submit an assignment in time and asking for extra time, does not mean that your request was either granted or denied if I do not answer the email. Treat all un-answered emails as if you have not sent them.

### **Readings**

Students are required to *acquire access to all readings that are not in the dropbox folder of the course* (all reading which we are legally allowed to provide in electronic copies, will be part of the class dropbox folder). **Each student is responsible to open and maintain a dropbox account and ensure that they have access to the shared class folder.**

**NOTE: readings might change as we progress through the semester – it is your responsibility to keep abreast of these changes if you missed class.**

Since this is a course dealing with fundamental texts, copyright laws require that you will purchase a copy of many of the texts. We are aware this is an extra cost. Nonetheless, it is an unavoidable cost in such a course, under the current legal regulations we operate in, students are highly encouraged to participate in the political economy of IPR regulations in Canada and the world **outside of the class room.**

Students are strongly advised to subscribe to high quality news outlets that deal with global/international political-economic issues such as the *Economist* and the *Huffington Post* (the first is offered in a sharply reduced academic price). In case you read something which interest you and you feel should be discussed in class feel free to send the article

and one paragraph about your thoughts/concerns to the WHOLE class and the instructor at least 72 hours before class, and will make sure to discuss it in class.

## Course Agenda

Please note: readings in **bold** are to be acquired by the students; readings with an # are to be found in the dropbox folder

### Week One, January 12<sup>th</sup> – Introduction

*What is Political Economy?*

### Week Two, January 19<sup>th</sup> – Liberal Theories

- Key Questions
  - Why does Locke distinguish between "political power" and other kinds of power? What are the implications of this distinction? Does Locke differentiate between private and public? How?
  - What is Property in Locke's world? Do you need the state/government/laws for property to exist? Is this the way modern society conceive of property? If so what are the differences and are they similar in every country? Might these differences be important in explaining comparative development?
  - Locke's basic assumption is that human beings are equal and the same in all respects that are critical for forming a government. Is it possible to recognize real differences among human beings and still make a case for a liberal, limited, state? Why might this be important?
  - What are the differences between negative and positive freedom in Berlin. Can they accommodate a dynamic view of history (that is significant and constant changes the economy and society)?
  
- Readings
  - Locke, John, *Second Treatise on Civil Government, Chapters 1-5 and 7-9*
  - Isaiah, Berlin, "Two Concepts of Liberty"

### Week three, January 27<sup>th</sup> – Neo-Classical Theories

- Key Questions
  - What are the principal justifications for a market system in Friedman and Becker? What are the similarities and differences?
  - Is there anything that is **not** part of economics in Becker's view?
  - Is Canada a free society a-la Friedman and Becker?
  - Do we even need government according to Friedman and Becker? If so why?
  - How does Friedman explain and justify inequalities?
  - What are the different visions of the historical march of the capitalist society in this week's readings?

- What difference does the presence of large-scale enterprise make in Friedman's theory of the economy?
- Does Stigler have the same view of the state as Friedman and Becker? If not, what are the differences? How, or what, make the state act according to Stigler? How can we achieve efficient and just regulations?
- Readings
  - # Milton Friedman. *Capitalism and Freedom*. Chapter I and II
  - Becker, Gary. *The Economic Approach to Human Behavior*. Chapters: 1, 8, 12-13.
  - # Stigler, J. "The Theory of Economic Regulation" *The Bell Journal of Economics and Management Science*, 2(1).

#### **Week four, February 2<sup>nd</sup> – Collective Action and Society**

- Key Questions
  - The Federalist # 10 (probably Madison) sees "factions" as a major danger for American liberal democracy, why? What are the sources of factions and could they be eliminated? What is the public interest? What remedies are proposed to protect the public interest? What, in fact, is the conception of the public interest?
  - What are the individual motivations that produce collective action? Compare the answers that Madison, Hayek, Olson, and Hacker and Pierson provide to this question. Are these answers compatible?
  - Do the organizations that individuals voluntarily join and create serve the public interest? When and when not according to which writer?
  - What are the kinds of organizations that one would anticipate arising out of the voluntary acts of individuals? Will these organizations be similar in all countries and in all periods of history? Will they be the same in all countries with similar cultures or at similar stages of economic development?
  - Do you think that the political reality of America that Hackers and Pierson describes correlate to the best of all worlds according to Madison, Olson, and Hayek? If so, is this the just society? If not then what went wrong?
- Readings
  - Olson, Mancur. 1971. *The Logic of Collective Action*. Chapters 1-4
  - Hayak, Frederich. 1949., *Individualism and Economic Order*, Chapters 1,2, 5
  - Federalist Paper #10

#### **Week Five, February 9<sup>th</sup> – Marxist Economics and Politics**

- Key Questions
  - What are the distinctions that Marx draws between "the social production of their lives" (aka: mode of production), the relations of production, the "economic structure of society," and "the legal and political superstructure of society." How are these concepts related to each other? What causes

what? Does he use these foundational concepts in the same way across the reading?

- What exactly is a class?
- What is the basic unit of analysis? Is it the same in all the readings?
- Is there a theory of history?
- What is a mode of production? What is then capitalism? What is different between capitalism and other historical periods?
- Does Marx's understanding of the evolution of capitalism differ from our understandings today of the evolution of globalization?
- Is there a notion of the state in Marx? What is it?
- Is there a notion of civil society? What is it?
- What does it mean for a political party or actor to "represent" a class?
- Why cannot the bourgeoisie just take power?
- Is there any power of choice or agency in Marx?

### *18th Brumaire*

- This essay is difficult to read unless you have had a good French history course. For those who have not (or not recently), start by making a list with two columns. In the left column, list the major social classes in the action that Marx identifies with the conflicts of the mid-1850s in France (e.g., landed property owners, high finance, petty bourgeoisie (shopowners, artisans), etc.). In the right column, list the political actors (e.g., Bourbon legitimists, Orleanists, Republicans, Democrats, "The Mountain," and so forth.) Your basic task is to figure out (along with Marx) what the relationship is between the classes and the political actors and finally—the big objective—what these relationships end with making Louis Bonaparte the ruler of France.
- How do the bourgeoisie get the workers to go along with them and fight their battles? Why cannot this alliance continue?
- What about ideology? Is it an independent force? How does this relate to all his other writing?

- Readings

- Marx, Karl and Friedrich, Engels, *The Communist Manifesto*
- --- *Preface to a "Contribution to the Critique of Political Economy"*
- --- *Capital (excerpted)* as appear in Karl Marx Selected Writing (edited by David McLellan) 1977. Oxford University Press Pp. 343-507
- Marx, Karl. *The Eighteenth Brumaire of Louis Napoleon* (read the whole text)

## **February 16<sup>th</sup> Reading Week – No Classes**

## **Week Six, February 23<sup>rd</sup> – Macroeconomics and Growth**

- Key Questions

- Why Keynes called his theory “General,” how is it different from a “particular” theory?
- What (if) role/s property and inequality play in term of growth?
- What exactly is "the state" and its role in the economy?
- What is human nature according to Keynes and how is his view differ from the Liberal and Marxist paradigms?
- Does history play a role in Keynes? If so what role it is?
- Readings
  - Keynes, J.M. 1936. *The General Theory of Employment, Interest, and Money*.

### **Week Seven, March 2<sup>nd</sup> – Sociological Theories of Capitalism**

- Key Questions
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- Readings
  - Karl Polanyi. *The Great Transformation: The Political and Economic Origins of our Time*. Chapters 3-14, and 21
  - # Granovetter, Mark "Economic Action and Social Structure: The Problem of Embeddedness," *American Journal of Sociology* (November 1985), 481-510.

### **Week Eight, March 9<sup>th</sup> – Cultural Theories of Capitalism**

- Key Questions
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- Readings
  - Weber, Max. *The Protestant Ethic and the Spirit of Capitalism*
  - Geertz, Clifford. 1968. *Peddlers and Princes: Social Change and Economic Modernization in Two Indonesian Towns*. Chicago, IL: University of Chicago Press

### **Week Nine, March 16<sup>th</sup> – Technology, Capitalism, and Growth**

- Key Questions
  - So what is the source of all growth?
  - What is innovation?
  - Is there one innovation or many kinds of innovation?
  - What are the relative benefits from different kinds of innovation?
  - How is innovation fostered?
  - What can be done to increase the rate of innovation?
  - Does the question: “How do different institutions in companies or governments impact innovation?” seems to be critical if the readings are to believe? If so, what do they tell us about the answer?
  - How exactly does innovation translate to economic growth
- Readings

- # Smith, Adam. Experts for the “Wealth of Nations,” *The Pin Factory*
- # BAUMOL, William, 2004. “The Free-Market Innovation Machine: Analyzing the Growth Miracle of Capitalism” Chapter 1 to 2 (pages 1-30). Princeton University Press: Princeton, NJ
- # Helpman, E. 2004. The Mystery of Economic Growth Cambridge, Mass: Belknap-Harvard University Press. Chapter 1 (background) and Chapter 4 (Innovation) (Pp. 1-9, 34-54).
- # Romer, M. Paul. 1994. “The Origins of Endogenous Growth,” *JEP*. Vol. 8. (1):3-22.
- # Solow, Robert. 1994. “Perspective on Growth Theory,” *JEP*. Vol. 8 (1):45-54.
- # Helpman, Elhanan and Manuel Trajtenberg. 1998. "A Time to Sow and a Time to Reap: Growth Based on General Purpose Technologies." in *General Purpose Technologies and Economic Growth*. Cambridge: Mass: MIT Press.

## **Week Ten, March 23<sup>rd</sup> – Institutionalism**

### ***Essay Subject Given in Class***

- Key Questions
  - What are institutions?
  - What role do institutions play in the economy?
  - Is there a “correct” set of institutions?
  - What is “capitalism”?
  - How and why do different countries seem to have different forms of capitalism?
  - What is more important macro or micro institutions?
  - What is the theory of institutional change?
  - Is Schumpeter’s analysis of capitalism an institutional one?
  
- Readings
  - North, Douglass. 1990. *Institutions, Institutional Change and Economic Performance*. Cambridge: Cambridge University Press.
  - # Dimaggio, Paul & Powell, Walter. 1995. “Introduction”; Chapter 3 The Iron Cage Revisited: Institutional Isomorphism and Collective Rationality in Organization Fields Paul J. DiMaggio and Walter W. Powell; In Powell and Dimaggio (eds.) *The New Institutionalism in Organizational Analysis*. Chicago: University of Chicago Press
  - # Hall, P. (1986). *Governing the Economy: The Politics of State Intervention in Britain and France*. Oxford: Oxford University Press. Introduction and chapter one

## **Week Eleven, March 30<sup>st</sup> – The Curse of Our Time? Inequality: Wealth**

### Essay II Topics Given

- Key Questions
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- Readings
  - Piketty, Thomas. 2013. *Capital In The Twenty-First Century. Parts I-II, IV, and the Conclusion*
  - Atkinson, Anthony B. 2015. *Inequality: What Can be Done. Part I and II.*

## **Week Twelve, April 6<sup>th</sup> – The Curse of Our Time? Inequality: Technology and Growth**

### *Written Essay Collected at the Beginning of Class*

- Key Questions
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- Readings
  - Brynjolfsson, Erik and McAfee. 2011. [Race Against The Machine](#).
  - Hacker S. Jacobs and Pierson, Paul. 2010. *Winner-Take-All Politics: How Washington Made the Rich Richer—and Turned Its Back on the Middle Class*.

NOTE: for these of you who are serious and interested read the book – for these of you who just care to know enough to pass the class without failing, read Hacker and Pierson’s anchor essay in the special issue of *Politics and Society* published around their book project.