

Rutgers University

Department of Economics

Spring 2017

SYLLABUS: 01:220:362 (Econ 362 - Comparative Economic Systems)

This is a **Lower Level Elective Course**.

Class Meetings: MW 6:10 – 7:30pm (AB 2160)

Instructor: Dr Basanta Chaudhuri (Email: chaudhur@econ.rutgers.edu)

Office: New Jersey Hall (NJH) 102 (Tel: 848-932-8611)

Office hours: Mon 2:00 - 3:00pm, Wed 3:00 - 4:00pm and by Appt.

IMPORTANT Announcement: Read this syllabus very carefully. You are responsible for all information and materials in it. I do not accept any excuse of “I didn’t know that” nature.

Course website will be managed via Sakai (<https://sakai.rutgers.edu>)

Go to www.economics.rutgers.edu for your questions on economics (major/minor) requirements.

IMPORTANT DATES TO REMEMBER:

First Day of Class: Jan 17, Tuesday

Last Day to drop classes without a “W” grade: Jan 24

Last Day to add classes: Jan

Midterm 1 (Wed, Feb 22)

Spring Break (Sat/Mar 11 – Sun/Mar 19)

Midterm 2 (Wed Mar 29)

Last Day of Class: May 1, Mon

Reading Days: May 2nd and 3rd (Tues/Wed)

Final exam 8-11pm (Mon, May 8, 2017 as in the Final Exams schedule)

Comparative Economic Systems (CES) is the study of how various economies are organized, managed and perform. It studies the effect of the economic system on economic behavior and performance. An economic system is a set of institutions for decision making and for the implementation of decisions concerning production, income, and consumption within a given geographic area. It is comprised of institutions that determine the rules of the game and the means of their enforcement. The study of the past and the present provide us with a wealthy of information on institutional arrangements. The dramatic collapse of the former Soviet-style command economies and their transition to varying degrees of market arrangements has provided a vast array of evidence for the purpose of analysis.

IMPORTANT DATES/DEADLINES: All assignments (short papers and term paper, if required) must be submitted within specific due dates. Late submissions are not acceptable or subject to heavy penalty. Midterm exams (**Exam 1 – Wed, Feb 22** and **Exam 2 – Wed, Mar 29**) will be held during class hours. Final exam is scheduled by the Registrar's Office during the Final Exams Week (**Mon, May 8, 8:00-11:00PM**). You must take these exams during scheduled hours unless you have documented medical or personal emergency (and in that case a make-up should be arranged ASAP).

Course Description

This course focuses on the nature of different economic systems, different organizational structures/arrangements with varied policies in different economies, and impact of these organizational differences on resource allocation, income distribution and economic growth (i.e., focusing on efficiency, equity, growth, stability, and sustainability) in an institutions-systems-economic outcomes framework. Traditionally, the study of comparative economic systems has focused on a comparison of market economy and planned economy. The collapse of the Soviet and neighboring command economies and the process of transition to markets have broadened the focus of this field to include mixed systems and systemic change. The focus of this course will be: (i) the nature of economic systems; (ii) different economic systems (capitalism, planned socialism and market socialism); (iii) systemic change; (iv) the worldwide performance of different systems and the collapse of the command economies; (v) the process of transition and the performance of transition during the 1990s (the first decade); (vi) assessment of transition and the performance of transition economies through 2010.

Course Prerequisites

Prerequisites are designed to protect you from taking courses that you are unprepared to successfully complete. You should follow the recommended prerequisites closely. The following courses are prerequisites for this course. You are expected to have mastered the material covered in these courses before taking this course.

220:102 Intro to Microeconomics and 220:103 Intro to Macroeconomics

Learning Goals:

In this course students will learn how to assess the relative efficacy of a decentralized, market-based capitalist economic system and a centralized, non-market socialist or communist economic system. Students will understand the key pillars of both a capitalist system and a socialist/communist system. Students will be able to explain the mechanisms of resource allocation and income distribution in both a capitalist system and a socialist/communist system. Students will also be able to articulate the various factors that contributed to the breakdown of socialist/communist system in such countries as Russia, Eastern European and other former Soviet Union (FSU) economies.

REQUIRED TEXTBOOK:

(REQUIRED) Paul Gregory and Robert Stuart (GS): **The Global Economy and Its Economic Systems, South-Western/Cengage Learning, 2014**

Supplemental/Reference Books (Strictly optional):

Barry Clark: *The Evolution of Economic Systems – Varieties of Capitalism in the Global Economy*, Oxford Economic Press, 2016 (paperback)

Rosser, J. Barkley and Rosser, Marina V. ***Comparative Economics in a Transforming World Economy***, 2nd edition, 2004 MIT Press (Rosser & Rosser or R&R)

H. Stephen Gardner: ***Comparative Economic Systems***, Third Edition, Routledge (forthcoming) (Note: Gardner's 2nd Edition (1998) may be available in eBay.)

Topics (Themes):

Invisible Hand (Adam Smith) and Efficiency of Market Mechanism

Markets Failures and Inefficiency of Markets

Knowledge Economy (Hayek)

Decentralized Decision-making vs Centralized Decision-making

Socialist Debate (Lange vs Hayek-Mises)

Market Socialism

Labor-Managed/Cooperative/Participatory Economy

Income Distribution and Economic Inequality

Social Market Economy

Welfare State (Scandinavian/Nordic Model)

Rise and Fall of the Soviet System

Economic System based on Culture/Religion (e.g. Islamic Model)

Articles/Books (selected reference):

F. M. Bator, "The Simple Analytics of Welfare Maximization", *American Economic Review*, 47, March 1957, pp. 22-59

Friederick A. Hayek, "The Price System as a Mechanism for Using Knowledge" and "The Use of Knowledge in Society", *American Economic Review*, 35, no. 4, September 1945, pp. 519-530

Ludwig von Mises, *Socialism: An Economic and Sociological Analysis*, New Haven: Yale University Press, 1951

Douglass North, *Institutions, Institutional Change and Economic performance*, Cambridge University Press, 1990

Arthur Okun, *Equality and Efficiency: The Big Tradeoff*, Washington, D.C., Brookings Institution, 1975

Jean Jacques Rousseau, *Discourse on the Origin of Inequality*, 1755

-----, *Of the Social Contract, Or Principles of Political Right*, 1762

Raaj K. Sah and Joseph E. Stiglitz, "The Architecture of Economic Systems: Hierarchies and Polyarchies", *American Economic Review*, 76, no. 4, September 1986, pp. 716-727

Max Weber, *The Protestant Ethics and the Spirit of Capitalism*, 1930

Oliver Williamson, *Markets and Hierarchies*, New York: Free Press, 1975

-----, *The Economic Institutions of Capitalism: Firms, Markets, Relational Contracting*, New York: Free Press, 1985

CONTENT AND SCOPE OF THE COURSE:

Introduction and Overview

Part I What is Comparative Economic Systems

Chapter 1 Economic History and Economic Systems

Chapter 2 Definition and Classification of Economic Systems

Chapter 3 Economic Systems and Economic Outcomes

Chapter 4 How Economic Systems Change

Chapter 5 The Setting of Economic Systems

Part II Theoretical Models of Economic Systems

Chapter 6 Theory of Capitalism

Midterm 1 (Wed, Feb 22)

Chapter 7 Theory of Planned Socialism

Chapter 8 Theory and Practice of Market Socialism

Part III Real World Examples of Economic Systems

Chapter 9 Introducing the Anglo-Saxon, European, and Asian Model

Chapter 10 The Anglo-Saxon Model: England During the Industrial Revolution

Chapter 11: The U. S. Economy

Chapter 12 The European Model

Midterm 2 (Wed, Mar 29)

Chapter 13 The Asian Model

Chapter 14 The Soviet Command Economy

Chapter 15 China: Party Dictatorship, Markets, and Socialism

Part IV The Collapse of Soviet-type Command Economies

Chapter 16 An Introduction to Transition

Chapter 17 Transition Economies: Output Patterns and Measurement Issues

Chapter 18 Introducing Markets: Privatization and the Decline of Government

Chapter 19 The Macroeconomy: Fiscal and Monetary Issues

Chapter 20 Transition and the Global Economy: International Trade and Finance

Chapter 21 Transition and the Safety Net

Part V The Performance of World Economies (Assessing the World Economies in a New Era)

Chapter 22 Prospects for 2050: Economic Institutions and Economic Performance

Final Exam (Mon, May 8, 8:00-11:00PM)

COURSE REQUIREMENTS, ATTENDANCE, EXAMINATIONS AND FINAL COURSE GRADE:

There will be three mandatory exams (Exam1, Exam 2, and a Final). The final course grade is a weighted average: Mid-Term I (30%), Mid-Term II (30%), and Final (40%). Class participation will have 5% extra credit.

Exam Schedule:

Mid-term 1 (Wed, Feb 22)

Mid-term 2 (Wed, Mar 29)

Final Exam (Mon, May 8, 8:00-11:00PM as in the Final Exams Schedule)

Materials covered in each exam are not cumulative but you are responsible for what is covered in lectures and for all required readings in the text. Tests will consist of all multiple choice questions. Graphical tools or simple equations may be useful in explaining some concepts.

“Improvement” in exam scores will be taken into consideration. There will be no other extra-credit assignments available to any student.

For exams, you should have a simple calculator, a #2 pencil and a good eraser. Cell phone cannot be used as a calculator. Exams are all closed books/notes.

Make-up Exams Policy: It is your responsibility to be prepared for the exams on announced dates. WITHOUT EXCEPTION, the **third (final) exam** will be held on **Mon, May 8, 8:00-11:00PM** (as announced in 2017 Spring Final Exams Schedule). There will be no **make-up exams** (for Exam 1 and Exam 2), except in dire and documented medical or personal emergencies. Any make-up exam if agreed upon (for valid documented reasons - for example, doctor’s note for emergency medical reasons, appropriate document to prove a car breakdown/accident etc.) will be arranged by the Department. There will be no exceptions. Missed exams that are not allowed to be made-up, or are not made-up, will be averaged

into your final grade as a zero (i.e., if you miss an exam you will not receive automatically an incomplete course grade).

Grading Scale:

88 – 100 = A

84 - 87 = B+

78 - 83 = B

73 - 77 = C+

65 - 72 = C

50 - 64 = D

Below 50 = F

Class Attendance and Participation:

Students are encouraged to attend lectures on a regular basis and are expected to come, prepared, to every class. Your behavior in the classroom is expected to be courteous, respectful and professional. I strongly encourage your class participation at every available opportunity. Attendance will be checked. Regular attendance and active class participation will be given marginal considerations (5%) when assigning a final grade for the course. Class participation is also expected if you desire to be acknowledged. Your prompt arrival to class and not disturbing the class during its duration are highly appreciated. If you need to leave early or arrive late for some valid reason, please let me know, whenever possible, beforehand. Arriving on time is always expected and late arrival may be marked absent. Leaving before the scheduled ending of class and being tardy are not good etiquette.

I strongly recommend that you attend lectures regularly. My lectures will blend in materials around the text and, therefore, attending lectures is necessary to keep up with the materials and to deepen your understanding. To get the most from this course you should both attend lectures and read the assigned chapters. Unless you attend lectures on a regular basis you will miss relevant discussions and materials covered in class. You cannot just send an e-mail to find out what is going on in the classroom.

There will be handouts and other supplemental materials available from time to time.

ALERT: DO NOT FORGET to turn off your cell phones, i-pods, i-phones, smartphones, tablet, earplugs, beepers and other electronic devices. Cell phone cannot be used as a calculator. Use laptops for class materials only.

Note also that grades are not available via the phone or e-mail.

ACADEMIC INTEGRITY (Consult <http://academicintegrity.rutgers.edu/integrity.stml>)

Students are expected to adhere to Colby academic integrity policy (refer to **Rutgers' UG Catalogue** for details). Any violation is subject to appropriate penalty. You will fully bear the consequences for

violations of academic honesty and integrity during examinations/tests/quizzes. In writing short papers and term paper avoid plagiarism which has harsh academic consequences.

Self-Reporting Absences:

Rutgers has a Self-Reporting Absence Website (<http://sims.rutgers.edu/ssra>). Students are expected to attend all classes. If you expect to miss one or two classes because of illness or a family emergency, please use the University Absence Reporting Website (<http://sims.rutgers.edu/ssra>) to indicate the date and reason for your absence. An email is automatically sent to me.

Students with Disabilities: For policies/procedures/accommodation request, go to <http://disabilityservices.rutgers.edu>

REMINDER: LEARNING GOALS FOR ECONOMICS MAJORS

1. Economic Literacy - Students who complete the major in economics should understand and be able to articulate, both orally and in writing, the core economic principles, concepts and theories that form the foundation for modern economic analysis and economic research.
2. Economic Numeracy - Students who complete the economics major should be familiar with the tools, techniques and methods of empirical economics. They should be able to analyze data using computer applications and should be familiar with regression methods and other statistical techniques. They should be able to read and assess general interest articles on economic topics. In addition, they should be able to understand and evaluate key findings in published economic research from a wide range of sources including academic economists, public policy 'think tanks,' and government agencies.
3. Economic Citizenship - Upon completion of the major students should be able to apply their understanding of core concepts and quantitative tools to analyze and research real world problems and evaluate alternative economic policy proposals on microeconomic and macroeconomic issues.
4. Economic Scholarship – Qualified majors should have an opportunity through such avenues as advanced coursework, faculty interactions, national and local competitions and honors courses and programs to utilize up-to-date methodological tools and become fully engaged in economic research and issues on the frontiers of economics.

[Department of Economics, Rutgers, The State University of New Jersey, February 2008]

Student-Wellness Services:

Just In Case Web App, for a mental health crisis for you are a friend:

<http://codu.co/cee05e>

Counseling, ADAP & Psychiatric Services (CAPS), for non-emergency psychological health issues:

(848) 932-7884 / 17 Senior Street, New Brunswick, NJ 08901 www.rhscaps.rutgers.edu/

Violence Prevention & Victim Assistance (VPVA)

(848) 932-1181 / 3 Bartlett Street, New Brunswick, NJ 08901 www.vpva.rutgers.edu/

Disability Services

(848) 445-6800 / Lucy Stone Hall, Suite A145, Livingston Campus, 54 Joyce Kilmer Avenue, Piscataway, NJ 08854 / <https://ods.rutgers.edu/>

Scarlet Listeners, for confidential peer counseling and referral hotline:

<http://www.scarletlisteners.com/> or call (732) 247-5555