

Rutgers University
Department of Economics **Spring 2018**

SYLLABUS: 01:220:362:01

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

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

Office hours: Mon 11:00 - 12:00 noon, Tues 9:00-10:00 am and Wed 11:30-12:30 pm
and by Appointments.

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 (Spring 2018):

First Day of Classes: Jan 16, Tuesday (Our class starts on Wed, Jan 17)

Last Day to drop classes without a “W” grade: Jan 23

Last Day to add classes: Jan 24

Midterm 1 (Wed, Feb 21)

Spring Recess (Sat/Mar 10 – Sun/Mar 18)

Midterm 2 (Wed Mar 28)

Last Day of Class: April 30, Mon

Reading Days: May 1 and 2 (Tues/Wed)

Final exam May 7, Mon, 8-10pm Note: It’s a 2-hour exam (Regular Classroom)

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 wealth 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: Midterm exams (**Exam 1 – Wed, Feb 21** and **Exam 2 – Wed, Mar 28**) will be held during class hours. Final exam is scheduled by the Registrar's Office during the Final Exams Week (**Mon, May 7, 8:00-10:00PM**). 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) Rosser, J. Barkley and Rosser, Marina V. **Comparative Economics in a Transforming World Economy**, 3rd edition, 2018 MIT Press (**Rosser & Rosser or R&R**) (The 2nd edition/used book may be available in Amazon/eBay)

(REQUIRED but OUT OF PRINT/on RESERVE in Alexander Library UG Reserve Desk) Paul Gregory and Robert Stuart (GS): The Global Economy and Its Economic Systems, South-Western/Cengage Learning, 2014 (Try AMAZON or eBay)

(STRICTLY OPTIONAL) H. Stephen Gardner: Comparative Economic Systems, 3rd Edition, Routledge (?) (forthcoming) (Note: Gardner's 2nd Edition (1998) may be available in eBay.)

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

Reading List (to be adjusted according to exam dates)

Table of Contents

I. OVERVIEW OF COMPARATIVE ECONOMICS

1. How Do We Compare Economies?
2. The Theory and Practice of Market Capitalism
3. The Theory and History of Marxism and Socialism
4. Islamic Economics and the Economics of Other Religions

II. VARIETIES OF ADVANCED MARKET CAPITALISM

5. The United States of America: The Market Capitalist Leader
6. Japan: A Planned Market Economy with Traditional Elements

Midterm 1 (Wed, Feb 21)

7. Whither Indicative Planning? The Case of France
8. Sweden: Crisis and Reform of the Social Market Welfare State
9. The Unification of Germany and the Unification of Europe

III. VARIANTS OF TRANSITION AMONG FORMER SOCIALIST ECONOMIES

10. The Former Soviet Union: The Myth and Reality of the Command Economy and Russia's Economic Transition
11. Alternative Paths of Transition in the Former Soviet Union
12. Poland: The Peril and Promise of Shock Therapy
13. Hungary: Gradualism and the First Successful Completed Transition?

Midterm 2 (Wed, Mar 28)

14. Worker-Managed Market Socialism: The Collapse of Yugoslavia and the Success of Slovenia
15. China's Socialist Market Economy: The Sleeping Giant Wakes

IV. ALTERNATIVE PATHS AMONG DEVELOPING ECONOMIES

16. India: The Elephant Walks
17. Iran: The Struggle for a New Traditional Islamic Economy
18. Revolution and Reform in the Mexican Economy
19. North and South Korea: The Lingering Shadow of the Cold War
20. Evolving Trends of the Transforming World Economy

Final Exam (Mon, May 7, 8-10 pm (**2-hour Exam**)) (Regular Classroom)

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%),

Final (40%).

Class participation will have 5% extra credit.

Exam Schedule:

Mid-term 1 (Wed, Feb 21)

Mid-term 2 (Wed, Mar 28)

Final Exam (Mon, May 7, 8:00-10:00PM (2-hour Exam – Regular Classroom))

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 7, 8:00-10:00PM (as announced in 2018 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 RU 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 /](http://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