ECON 3870 COURSE OUTLINE

Summer Session II: July-August, 2018.

Course Description:

Notes: Important readings for this course are posted on cuLearn, as indicated on the reading list below, as are other materials for this course.

Pages 188-200 in Ch. 6 of the text will not be covered on the midterm exam in the summer of 2018, but is eligible to be covered on the Class Assignment.

This course deals with alternative ways in which different societies organize to solve the economic problem. We begin by finding ways of differentiating between economic systems in the realms of both economic and political decision-making, since the latter cannot be ignored if we are to understand how an economy functions. In particular, we shall develop the notion of property rights, which enables us to distinguish between private, state, and communal property, and use these ideas to draw basic distinctions between capitalism, socialism, and communism.

We shall then explore the basic elements of a traditional Soviet-type economy (STE), which was by far the predominant form of socialism in practice, although it may, in fact, have been an example of state capitalism. We shall examine the latter possibility—see the article, “The Soviet-type economy as State Capitalism” on cuLearn and the website, www.carleton.ca/richardcarson/.

Since there are many current examples of state capitalism—including Russia now and before the October Revolution—this would make the STE of more than historical interest. Regardless of whether we consider it to be socialist or state capitalist, achieving a basic understanding of this system also helps us to appreciate some of the problems faced by successor economies, including China since the economic reform and opening, which we shall study in the second half of this course. We also examine the role of government in capitalist market economies and how this has expanded since World War II, including government’s role in promoting and directing economic growth.

Next, we turn to economic systems of the past, viewed through the prism of the economic theory of history, originally due to Marx, but with substantial contributions by modern economists, notably the 1993 co-Nobel laureate, Douglass North. Here we examine the fundamental forces that cause economic systems to change over time. We then look at Marx’s analysis of the evolution of capitalism, as well as his vision of a future socialist system, which we contrast with the STE. This is followed by a survey of Schumpeter’s theory of capitalist development—including the role of innovation or "creative destruction”—which serves as a contrast to Marxian theory. Schumpeter was a monarchist and a strong advocate of capitalism, but he accepted much of the basic Marxian approach in terms of the way change takes place. Many Marxists consider him to be the
greatest economist of the 20th century.

The course closes by considering two specific economies—one past and the other present. The present-day economy is the modern Chinese Economy, with emphasis on the period since the start of economic reform. The earlier analysis of the Soviet-type economy will serve as an introduction to the Chinese economy of the reform and post-reform eras. The economic system of the past to be considered is the German economy between the end of World War I and the start of the economic miracle after World War II. Emphasis will be on the economy under National Socialism, as well as on the economic causes of Hitler's rise to power and the economic aftermath of National Socialist rule.

"Those who do not learn from history are condemned to repeat it."

Course Outline

I. PROPERTY RIGHTS.
   A. Use, Income, Transfer.
   B. Private, State, Communal.
   C. Forms of Exclusion.
   D. Free Access (Communal Rights) and Value.

II. SOCIALISM IN PRACTICE—the SOVIET-TYPE ECONOMY—and VARIETIES of SOCIALISM.
   A. Eleven Basic Features of STE; Nowadays Interested Mainly in Legacy of STE.
   B. Interpretation of STE as Example of State Capitalism and Mercantilism.
   C. Extensive vs. Intensive Growth.
   D. Varieties of Socialism.

III. MARKET PLANNING or DIRIGISME.
    (Japan, Asian NICs as Archtypes).
    A. Industrial (or Technology) Policy.
    B. Three Kinds of Economic Growth; only one is permanently sustainable.

IV. ROLE OF GOVERNMENT in a MARKET ECONOMY.
    A. Social Insurance and Expansion of this Role Since WWII.
    B. Two Basic Views of This Expansion.
    C. Political Rights and the Political Dimension of an Economic System.

V. ECONOMIC SYSTEMS of the PAST.
   A. The Economic Theory of History. What Forces Cause Property Rights to Change Over Time?
   B. Sampling of Economic Systems of the Past.
VI. THEORIES of CAPITALIST DEVELOPMENT.

A. Marxian Theory.
B. Rise of Inequality in Western Nations.
C. Schumpeter’s Theory.

VII. THE MODERN CHINESE ECONOMY SINCE THE START OF ECONOMIC REFORM.

A. Reasons for China’s Economic Success.
B. China in the World Economy.
C. China at a Crossroads.

VIII. NATIONAL SOCIALISM IN GERMANY.

A. Economic and Political Causes of Hitler’s Rise to Power.
B. Basic Features of the Nazi Economy.

Course Purpose, Prerequisite, Evaluation, Instructor, and Academic Accommodations.

Purpose: The purpose of ECON 3870 is to give students a basic introduction to comparative economic systems. It is intended to appeal to people with a variety of backgrounds and interests.

Prerequisite: ECON 1000 or FYSM 1003. Students who believe they have taken a similar background course from another university must provide appropriate documentation to the Department of Economics Undergraduate Advisor, Amanda Wright, Room 875 Loeb.

Course Evaluation: The course requirements for ECON 3870 apply to all students and are the following: A mid-term exam worth 40% plus a class assignment worth 12% plus a final exam worth 48%. The mid-term will be held on Saturday, July 21st, 1-3 p.m., at a location TBA. The class assignment will be available in the CUOL Student Centre, room D299 Loeb, by 1 p.m., Monday, July 23rd, to be handed in by 4:30 p.m., Friday, Aug. 3rd to the CUOL Student Centre. A copy will also be posted on cuLearn right below this Outline. All answers to this assignment must be typed double-spaced and should not be copied from any source, including another student—write up your answers in your own words! **Students have the responsibility to ensure that the instructor has received their handed-in papers.** This can be done via e-mail. Distance students may hand in their papers as e-mail attachments if they wish to do so. The final exam will be held on a date after Aug. 15th at a location TBA.

Students who miss the midterm and can document a compelling reason for doing so will be excused, and the weight of the midterm will automatically be added to the class assignment and the final, which will then be worth 20% and 80% of the course grade, respectively. Documentation should take the form of a doctor’s note, etc. depending on circumstances, and may be subject to verification. Students who miss the midterm without a compelling and documented reason will lose the assigned 40%. Failure to hand in the class assignment without a compelling and documented reason will result in loss of the assigned 12%. Failure to write the final will result in a grade of F until an appeal to write the deferred final exam has been granted. Application to write the deferred final examination must be made at the Registrar's office. The mid-term will cover text Chs. 1-3 and the material under headings A and B of the reading list,
including lectures one through six. The class assignment will cover Chs. 4 and 5 and the material under heading C. The final exam will cover the entire course, but with emphasis on the material covered after the first 3 weeks, that is, after Ch. 3.

**Plagiarism:** Please be aware that plagiarism is a serious offence at Carleton and should be recognized and avoided. For further information, please see “Pammett on Plagiarism and Paraphrasing” at www.carleton.ca/economics/courses/writing-preliminaries.

**Instructor:** The instructor for this course in Summer Session II, 2018 will be R. Carson, Office Rm. 850 Loeb. Prof. Carson’s office phone number is (613) 520-2600, x1751, e-mail address: richard_carson@carleton.ca. Office Hours for Summer Session II are Mondays, 4-6 p.m. (1600-1800) and Wednesdays, 4-6 p.m. (1600-1800) and by appointment.

There is no in-class section of this course. ECON 3870V is an online course available via CUOL, Carleton University Online. For more information, please go to www.carleton.ca/cuol.

**Academic Accommodations:**

You may need special arrangements to meet your academic obligations during the term. For an accommodation request the processes are as follows:

**Pregnancy obligation:** write to me with any requests for academic accommodation during the first two weeks of class, or as soon as possible after the need for accommodation is known to exist. For more details visit the Equity Services website: http://carleton.ca/equity/

**Religious obligation:** write to me with any requests for academic accommodation during the first two weeks of class, or as soon as possible after the need for accommodation is known to exist. For more details visit the Equity Services website: http://carleton.ca/equity/

**Academic Accommodations for Students with Disabilities:** The Paul Menton Centre for Students with Disabilities (PMC) provides services to students with Learning Disabilities (LD), psychiatric/mental health disabilities, Attention Deficit Hyperactivity Disorder (ADHD), Autism Spectrum Disorders (ASD), chronic medical conditions, and impairments in mobility, hearing, and vision. If you have a disability requiring academic accommodations in this course, please contact PMC at 613-520-6608 or pmc@carleton.ca for a formal evaluation. If you are already registered with the PMC, contact your PMC coordinator to send me your Letter of Accommodation at the beginning of the term, and no later than two weeks before the first in-class scheduled test or exam requiring accommodation (if applicable). After requesting accommodation from PMC, meet with me to ensure accommodation arrangements are made. Please consult the PMC website for the deadline to request accommodations for the formally scheduled exam (if applicable) at http://carleton.ca PMC/students/dates-and-deadlines. You can visit the Equity Services website to view the policies and to obtain more detailed information on academic accommodation at http://carleton.ca/equity/

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**Textbook**

The text for the course will be:

*Note:* Only the second edition is acceptable.

**Required Readings**

**NOTE:** Most of these readings other than the text are available on Library Reserve or on cuLearn. Most Library Reserve articles are available electronically through ARES. To access ARES, go to the Library Home Page and click on ARES under POPULAR LINKS at the bottom of the page on the right-hand side. You will need your student computing account information.

**A. Introduction to Comparative Economic Systems: Property Rights**


2. Carson, Ch. 1, including appendix.


4. FIVE SHARP SHORTS. These are available together on cuLearn as article #4.

Please read one of the following:

5. Vivek Dehejia, “The Fallacy of the Free Market and the Future of Globalization,” *Carleton Economic Papers*, # 10-09, October 2010. This is online and can be googled.

B. The Role of the State in the Economy

1. Carson, Chapter 2, except pp. 64-68; Chapter 3; Chapter 6, pp. 188-200.

2. “The Soviet-type Economy as State Capitalism,” article #10 on cuLearn. This article is also online at [www.carleton.ca/richardcarson/](http://www.carleton.ca/richardcarson/).


5. “The Growth of Government in Market Economies Since World War II,” article #8 on cuLearn. This article is also online at [www.carleton.ca/richardcarson/](http://www.carleton.ca/richardcarson/).


7. (SUPPLEMENTARY) F. A. Hayek, "Freedom and the Economic System,” Contemporary Review of London, April 1938. It is online under the title “What Price a Planned Economy?” at Mises Daily Articles and can be googled. It is also ON LIBRARY RESERVE.

C. Capitalism in a Historical Context

1. Carson, Ch. 4; Ch. 5, pp. 147-177. Note: Ch. 4 is a reading chapter only. There will be no lectures on this chapter, owing to the time constraint.

2. Jeremy Greenwood, "The Third Industrial Revolution," mimeo, University of Rochester. ON LIBRARY RESERVE. This is also published in the Economic Review of the Federal Reserve Bank of Cleveland, 2nd quarter, 1999, vol. 35, no. 2, pp. 2-12, which is online.


5. J.A. Schumpeter, Capitalism, Socialism, and Democracy, Parts II and III.


7. “The Increase of Inequality Since the Mid-1970s,” article #2 on cuLearn. This article can also
be found at www.carleton.ca/richardcarson/.

**D. The Chinese Economy**

1. R. Carson, *Transition and Capitalist Alternatives*, Ch. 1, Ch. 2, pp. 40-64.

2. “China Since Economic Reform: Growth, History, and Prospects.” article #1 on cuLearn. This is the most important reading on the Chinese Economy and can also be found at www.carleton.ca/richardcarson/.

3. Please read one of the following:
   


**E. The Rise and Fall of National Socialism in Germany and the Start of the Postwar Economic Miracle.**

1. *Transition and Capitalist Alternatives*, Ch. 11.


For students wanting to pursue studies in areas related to Comparative Economics, the following books are useful and may be of interest. None are required for ECON 3870:


Jean C. Oi and Andrew G. Walder, eds. *Property Rights and Economic
Reform in China (Stanford, Cal.: Stanford U. Press, 1999).

