

American *Political Economy*

AMERICAN POLITICAL ECONOMY (PLAP 3500)
THE UNIVERSITY OF VIRGINIA
DEPARTMENT OF POLITICS
Spring 2014

I. Course Description

This course will explore the development of the American economic system since the Founding, and its relationship with political institutions. In particular, we will assess various arguments for or against specific economic regimes such as Progressivism, the welfare state, and neoliberalism, among others, and the ways in these regimes succeeded or failed in promoting their agenda within political institutional restraints. While some basic economic principles will occasionally be drawn upon in order to deepen our understanding of the development of these regimes, no previous knowledge of economics is required for the course.

II. Texts

The bulk of the class readings are compiled into a Course Reader (denoted in syllabus as CR), to be purchased at NK Print and Design on Elliewood (on the Corner, across from Take-It-Away). These readings will also be available electronically, via Collab, but I strongly suggest that you purchase a hard copy for organizational purposes, if nothing else. In addition to the readings found in the Course Reader, the following book is required and available for purchase in the UVA Bookstore:

1. Marc Allen Eisner, *The American Political Economy: Institutional Evolution of Market and State*. Routledge, 2011.

III. Assignments and Grading

1. Two separate 5-6 page papers (15% for the first, 20% for the second), due by 5:00PM on Friday, February 21 and Monday, April 28.
2. Midterm Exam (20%) on Friday, February 28.
3. Final Exam (30%) on Saturday, May 3, at 9:00AM.
4. Class Participation (15%)

IV. Course Policies

Papers: Students will receive paper assignments approximately two weeks before the due date. Papers shall be 5-6 typed (12 point font) pages, double-spaced, with 1-inch margins. Failure to complete any assignment will result in an F in the course.

Class Participation and Readings: The centerpiece of our class meetings will be rigorous discussion of the assigned texts. Therefore, attendance and participation are of the utmost importance. Students will be expected to complete the readings and come prepared to discuss them in detail. Honor Code at Virginia: All work completed for this course falls under the guidelines of the Honor System. The Pledge is a signed reaffirmation of your commitment to

academic integrity. Accordingly, you must write out, sign and date the following pledge on all academic work: “On my honor as a student, I have neither given nor received aid on this exam/assignment.”

COURSE READING SCHEDULE

Monday, January 13: Introduction

J.C.L. Simonde de Sismondi, *Political Economy* (CR)

Reading Questions

1. How has the relationship between government and the private economy evolved over time?
2. What is the major difference between the mercantilist and laissez-faire understandings of the role of political authority with respect to managing the economy?

Wednesday, January 15: Institutions and Regimes

Marc Allen Eisner, *The American Political Economy*, pp.2 – 36

Reading Questions

1. Is it right to think of “political economy” as a “science”?
2. What is the most effective way of understanding the relationship between political and economic institutions?

Friday, January 17: Classical and Christian Approaches

Aristotle, selections from *Nicomachean Ethics* (CR)

1.7 – 1.8 (Discussion of the Good); 4.1 – 4.2 (Liberality and Magnificence)

Aristotle, selections from *Politics* (CR)

1.1 – 1.10 (Household and Wealth); 3.6 – 3.9 (Classifications of Constitutions)

Reading Questions

1. What is a political “regime” or “constitution”?
2. What are the different types of regimes as outlined by Aristotle?
3. Should the end of a regime be to encourage material wealth and comfort amongst its citizens?

Monday, January 20: NO CLASS – MARTIN LUTHER KING JR. DAY

Wednesday, January 22: Classical and Christian Approaches

The Bible, Psalms 49; Luke 12:1-40; Matthew 6:1-34, 19:16-30 (CR)

Thomas Aquinas, selections from *Summa Theologica* (CR)

“Is it Natural for a Man to Possess External Things?” “Is it Lawful for a Man to Possess a Thing as His Own?” “Is it lawful to steal through stress of need?” “Of buying and selling,” “Is it is Sin to Take Interest for Money Lent?”

Reading Questions

1. According to the Christian understanding, what is the proper relationship between man and material wealth?

Friday, January 24: Modern Political Thought

Mandeville, *Fable of the Bees*, “The Grumbling Hive” (CR)

Mandeville, Fable of the Bees, “An Inquiry Into the Origin of Moral Virtue” (CR)

Reading Questions

1. According to Mandeville, how were concepts of “Virtue” and “Vice” first determined?
2. In what way can government or authority figures take advantage of those members of society who repress and avoid such “virtues” as honor, pride, or power?

Monday, January 27: Modern Political Thought

John Locke, Second Treatise on Government, Chapter 5 (CR)

Reading Questions

1. What does Locke mean when he suggests that man’s labor and property is an extension of himself?
2. What sorts of restrictions does Locke put on the ability of man to accumulate as much property as possible? Are they legitimate restrictions?

Wednesday, January 29: The Case for Capitalism and Commerce

Adam Smith, selections from Theory of Moral Sentiments (CR)

I.i.1.1-13 (sympathy pp.9-13); I.iii (corruption of moral sentiments pp.61-66); II.ii.2.1 – II.ii.3.12 (justice pp.82-91); III.2.3-4 (vanity pp.114-115)

Reading Questions

1. According to Adam Smith, is man naturally sympathetic to his fellow men? How is this sympathy reflected in economic exchange?
2. How does Adam Smith define “justice”?

Friday, January 31: The Case for Capitalism and Commerce

Adam Smith, selections from Theory of Moral Sentiments (CR)

IV.i.1 – IV.ii.12 (invisible hand, utility, gov’t pp.179-193); VI.i.1-16 (prudence pp.212-217); VI.ii.2.16-18 (criticism of “man of system” pp.233-234)

Reading Questions

1. How does the “invisible hand” operate? Does it require a complete absence of government involvement in order to function properly?
2. Does Smith’s “man of system” exist today?

Monday, February 3: The Case for Capitalism and Commerce

Adam Smith, selections from Wealth of Nations (CR)

I.i (pp. 13-24, the division of labor); I.ii.1-5 (pp. 25-30, barter and trade); 1.viii (pp. 82-104, equity, labor); I.x.c.12 (p. 138, foundation of property)

Reading Questions

1. What are the advantages of the division of labor in society?
2. What does Smith mean when he suggests that a common laborer in England is more comfortable than an African king?

Wednesday, February 5: The Case for Capitalism and Commerce

Adam Smith, selections from Wealth of Nations (CR)

II.iii.28-37 (pp. 341-346; bettering our condition); IV. introduction (p. 428), IV.ii.9-12 (pp. 455-457, the invisible hand); IV.ii.39 (p. 468, the science of the legislator); IV.v.b.16 (pp. 530-531, liberty); IV.ix.51 (p. 687, natural system of liberty); V.i.f.48 – V.i.g.25 (pp.

781-803, on remedies for social and personal decay under conditions of liberty; religion, education, etc.)

Reading Questions

1. What is the proper relationship between prudence in a family and prudence at the national level?
2. What does Smith mean when he says that liberty is “natural”?
3. How can the state counteract the negative effects of “sectarian” division?

Friday, February 7: The Case for Capitalism and Commerce

Montesquieu, selections from *Spirit of the Laws* (CR)

Part IV, Book 20, Chapters 1-5, 8, 13; Book 21

Alexander Hamilton, *Federalist #6* (CR)

V.I. Lenin, *Imperialism: The Highest Stage of Capitalism*, Chapter 10 (CR)

Reading Questions

1. According to Montesquieu, what is the relationship between the “nature” of a regime and its “principle”?
2. How can the nature of different regimes affect their relations with one another? Are certain regime types inherently more compatible with others or more stable in and of themselves?

Monday, February 10: The Case for Capitalism and Commerce

Milton Friedman, *Capitalism and Freedom*, Chapters 1, 2, and Conclusion (CR)

Reading Questions

1. What is the relationship between political freedom and economic freedom, according to Friedman?
2. Why is Friedman concerned with over-regulation of the economy?

Wednesday, February 12: The Case for Capitalism and Commerce

Yuval Levin, “Recovering the Case for Capitalism” (CR)

Deirdre McCloskey, “Bourgeois Virtue” (CR)

Reading Questions

1. According to Levin, what are the two current critiques of capitalism? What does he mean when he says that they are moral, not economic, critiques?
2. What does McCloskey mean when she suggests that “we are all bourgeois now”?

Friday, February 14: Critiques of Capitalism

J.J. Rousseau, Preface to *Narcissus* (CR)

J.J. Rousseau, *On the Origin of Inequality*, Note 9, Part 1 (CR)

Reading Questions

1. How do the arts and sciences soften and enervate man?
2. What does Rousseau mean when he says that “men are wicked... yet man is naturally good”?

Monday, February 17: Critiques of Capitalism

J.J. Rousseau, *Emile* (brief discussion of property) (CR)

J.J. Rousseau, *On the Origin of Inequality*, Part 2 (CR)

J.J. Rousseau, selections from Discourse on Economy (taxes, preventing need) (CR)

Reading Questions

1. Is property a zero-sum system?
2. How do politicians, according to Rousseau, utilize the rhetoric of “liberty” to keep the people under control?
3. What is the difference between a sales tax on commodities and a personal tax? Which is more fair?

Wednesday, February 19: Critiques of Capitalism

Friedrich Engels, “Working Class Manchester” (CR)

Karl Marx, “Contribution to the Critique of Political Economy” (Preface) (CR)

Karl Marx, selections from “Economic and Philosophic Manuscripts of 1844” (CR)

Karl Marx, selections from “The German Ideology” (CR)

Reading Questions

1. What does Marx mean when he says that the worker eventually becomes a commodity in a capitalist system?
2. In what ways can man become alienated?
3. How does society develop from the tribal to capitalist system?

Friday, February 21: Critiques of Capitalism

*** FIRST PAPER DUE BY 5:00PM ***

Karl Marx, “Wage Labor and Capital” (CR)

Karl Marx, selections from “Capital” (CR)

Pope Francis, selections from “Evangelii Gaudium” (CR)

Reading Questions

1. What is the relationship between the growth of capital and the wages of the workers who supply it?
2. What is the “fetishism of commodities”?
3. According to Pope Francis, what is the relationship between inequality and violence in a society?

Monday, February 24: Critiques of Capitalism

Michael Sandel, selections from What Money Can’t Buy: The Moral Limits of Markets (to be distributed prior to class)

Wednesday, February 26: The American Founding

Ben Franklin, “A Way to Wealth” (CR)

Alexander Hamilton, “First Report on the Public Credit” (CR)

Alexander Hamilton, “Constitutionality of the Bank” (CR)

Alexander Hamilton, “Report on Manufactures” (CR)

Reading Questions

1. What are Hamilton’s various arguments for encouraging a commercial republic? Do you find them convincing?

Friday, February 28: MIDTERM EXAM

Monday, March 3: The American Founding

Thomas Jefferson, “On the Constitutionality of the Bank” (CR)

Thomas Jefferson, Notes on the State of Virginia, Query 19 (CR)

David Hume, "On Commerce" (CR)

Reading Questions

1. What are Jefferson's arguments for maintaining an agricultural republic? In particular, how does an agricultural republic alter the character of its people?
2. According to Hume, how does the level of commercialism in a republic affect its overall strength?

Wednesday, March 5: The American Founding

Alexis de Tocqueville, selections from Democracy in America (CR)

Volume 1, Part II, Chapter 6 (Advantages of Democratic Government)

Volume 2, Part II, Chapter 10 – Chapter 20 (American relationship to materialism, prosperity, physical work, etc.)

Reading Questions

1. How is the unique character of the early American people reflected in American-style democracy?
2. How can a capitalist democracy eventually transform into an industrial aristocracy? Is Tocqueville's characterization of this development similar to Marx's?

Friday, March 7: Jacksonian Democracy

Henry Clay, selections from "Speech on the Tariff" (CR)

Andrew Jackson, "Bank Veto" (CR)

Daniel Webster, "On Jackson's Veto" (CR)

Reading Questions

1. What were the various arguments in favor of and opposed to the tariff?
2. Did Andrew Jackson overstep his authority when vetoing the bank bill?

Monday, March 10: NO CLASS – SPRING BREAK

Wednesday, March 12: NO CLASS – SPRING BREAK

Friday, March 14: NO CLASS – SPRING BREAK

Monday, March 17: Slavery and the American Political Economy

Genovese, selections from The Political Economy of Slavery (CR)

Reading Questions

1. According to Genovese's claims about slavery, was it inherently a "capitalist" system? How did Southern aristocratic "values" prevent the South from developing a robust industrial economy?

Wednesday, March 19: Social Darwinism

William Graham Sumner, "What the Social Classes Owe to Each Other" (CR)

William Graham Sumner, "The Concentration of Wealth" (CR)

Reading Questions

1. What arguments does Sumner provide in order to defend the wealthy and their role in society?
2. How is it that a few lazy millionaires are actually beneficial for society as a whole, according to Sumner?

Friday, March 21: Social Darwinism

Andrew Carnegie, "The Gospel of Wealth" (CR)

Sidney Webb, "English Poor Law Policy" (CR)

Reading Questions

1. For Carnegie, is wealth inherently a positive thing for society?
2. Is the dichotomy between caring for the poor and preventing them from becoming poor in the first place a realistic one?

Monday, March 24: Progressivism

Marc Allen Eisner, *The American Political Economy*, pp.37-57

Reading Questions

1. How did Progressivism offer a unique vision of the state in the economy?

Wednesday, March 26: Progressivism

Theodore Roosevelt, "The New Nationalism" (CR)

Charles Beard, "The Economic Basis of Politics" (CR)

Reading Questions

1. How can the government help ensure equality of opportunity for all citizens? Is this a proper goal of government?
2. Is Beard right to suggest that the Constitution was essentially the result of economic advantages to be had by the Framers themselves?

Friday, March 28: Liberalism

Marc Allen Eisner, *The American Political Economy*, pp.58-88 (stop at "Building a New International Order")

Reading Questions

1. Why were programs like Social Security, unemployment insurance, etc. so successful, and so difficult to repeal?
2. How does the Constitutional separation of powers potentially muddle a unified monetary policy?

Monday, March 31: Liberalism

Franklin Delano Roosevelt, "The Four Freedoms" (CR)

Franklin Delano Roosevelt, "A Second Bill of Rights" (CR)

Walter Lippmann, "Planning in an Economy of Abundance" (CR)

Reading Questions

1. What are the "four freedoms" that FDR insists are necessary for the healthy functioning of democracy? Is it realistic that all four freedoms be realized? What steps should the United States take in promoting these freedoms abroad?
2. Is FDR correct to refer to things like "a decent home" and "a good education" as rights?
3. Is it possible to create a robust "planned" economy during peacetime abundance? What are the potential drawbacks of such an effort?

Wednesday, April 2: Modern Welfare State

*** Guest Lecture: Daniel DiSalvo, City College of New York ***

Marc Allen Eisner, *The American Political Economy*, pp.100-118

Friday, April 4: Modern Welfare State

William Voegeli, *Never Enough*, Chapter Two (CR)

Reading Questions

1. What is the Progressive argument for a stronger welfare state?
2. How does the idea of a “living Constitution” offer support for an expanding welfare state?
3. What, according to Voegeli, is the “end game” of those promoting a larger welfare state? Can it ever be achieved?

Monday, April 7: Modern Welfare State

F.A. Hayek, *The Road to Serfdom* (condensed version)

Reading Questions

1. According to Hayek, what is the first step on the Road to Serfdom?
2. How do “planners” alter the idea of freedom in order to suit their agenda?
3. What are the three reasons why the group of leaders in a “planned” society are likely to be made up of the worst, rather than best, elements of that society?
4. How does Hayek distinguish between two types of security in society?

Wednesday, April 9: Contemporary Debate on Political Economy: Hayek v. Keynes

F.A. Hayek, “The Use of Knowledge in Society” (CR)

Reading Questions

1. How can an over-reliance on “data” when considering economic problems become counterproductive?
2. What is it about the nature of economic problems that makes them particularly difficult to plan for?

Friday, April 11: Contemporary Debate on Political Economy: Hayek v. Keynes

John Maynard Keynes, “The End of Laissez-Faire” (CR)

Reading Questions

1. What were the socio-historical reasons why laissez-faire had been so attractive prior to Keynes’s time?
2. What are some of Keynes’s objections to laissez-faire? What does he mean when he suggests that the entire doctrine stems from an “incomplete hypothesis”?
3. What were the gravest economic dangers facing Keynes at the time he wrote? Are these dangers still significant?

Monday, April 14: Contemporary Debate on Political Economy: Rawls v. Nozick

John Rawls, “Distributive Justice” (CR)

Reading Questions

1. Why is Rawls concerned with using utility as the guiding principle of “justice” in society?
2. What are the two principles of justice, according to Rawls? Is it possible to arrange constitutional matters such that they can be realized in society?

Wednesday, April 16: Contemporary Debate on Political Economy: Rawls v. Nozick
Robert Nozick, *Anarchy, State, and Utopia*, Chapter 7, Part 1

Reading Questions

1. What is the lesson learned from the Wilt Chamberlain example?
2. Is Nozick correct in claiming that taxed labor is akin to forced labor?

Friday, April 18: Budgets and Regulation

Marc Allen Eisner, *The American Political Economy*, pp.119-139

Philip Shabecoff, "Reagan Order on Cost-Benefit Analysis Stirs Economic and Political Debate,"

The New York Times (CR)

Aaron Wildavsky, selections from *The New Politics of Budgetary Regulation* (CR)

Reading Questions

1. What are some of the problems with using cost-benefit analysis in establishing the parameters of economic regulation?
2. How do entitlements and appropriations differ?
3. According to Wildavsky, what does "budgetary control" entail?

Monday, April 21: Inequality

President Barack Obama, "Speech on Inequality" (12/4/13) (CR)

Peter Wehner and Robert Beschel, Jr., "How to Think About Inequality" (CR)

Reading Questions

1. What are the practical implications of rising inequality and decreased mobility, according to President Obama?
2. What are some of the solutions that President Obama offers to combat this rising inequality?
3. What is the relationship between income and happiness? Is that relationship something that the government can / should understand?

Wednesday, April 23: Financial Crisis of 2008

Levin-Coburn Report on the Financial Crisis of 2008 (CR)

Steve Denning, "Lest We Forget: Why We Had a Financial Crisis," *Forbes Magazine* (CR)

Reading Questions

1. According to the official Senate report, what were the causes of the Financial Crisis of 2008?
2. If, in fact, the greed and manipulation of big banks was largely responsible for the Crisis, what are the potential solutions in order to avoid another crisis?

Friday, April 25: Financial Crisis of 2008

Joseph Stiglitz, Jonathan Orszag, and Peter Orszag, "Implications of the New Fannie Mae and Freddie Mac Risk-based Capital Standard" (CR)

Peter Wallison, selections from "FCIC Dissent" (CR)

Reading Questions

1. According to Stiglitz et al., writing in 2002, how concerned should we have been that GSEs such as Fannie Mae or Freddie Mac might default?

2. What cause of the Financial Crisis of 2008 does Wallison point to that many official reports omitted? How convincing do you find his argument?

Monday, April 28: Conclusion

*** SECOND PAPER DUE BY 5:00PM ***

Charles Murray, "The New American Divide", Wall Street Journal, 12/21/12 (CR)

Reading Questions

1. What are the sorts of indicators that Murray suggests we ought to focus on when considering the growing "inequality" in American society?
2. According to Murray, what should be done about this growing inequality?

FINAL EXAM: Saturday, May 3rd, 9:00AM – 12:00PM