

POLITICAL ECONOMY AFTER THE CRISIS

SPRING 2019

SOCIETIES OF THE WORLD - 31

LAW - 2390

KENNEDY SCHOOL - DEV 233

MONDAYS 1-3PM

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The world's economic and political order reels under mounting challenges: the global financial crisis, the austerity debacle, a slowdown in economic growth and productivity, the aggravation of inequality and the inadequacy of conventional responses to it, the discrediting of the Washington Consensus, the globalization backlash, the re-emergence of nationalist politics in Europe and the United States, and a contest over the meaning, value, and requirements of democracy. We examine connections among these phenomena and explore alternative ways of thinking about contemporary market economies and their reconstruction. We organize the course around four related themes: the worldwide financial and economic crisis of the recent past and its management; the effort to promote socially inclusive economic growth in richer as well as in poorer countries; the nature, fate, and dissemination of the new knowledge-intensive style of production; and the past, present, and future of globalization.

Students should have some previous acquaintance with economics but no advanced economic training is required. The course is open to undergraduate and graduate students outside as well as within economics. Readings will be drawn from the classic and contemporary literatures of economics, political science, philosophy, and social theory.

Course requirements differ according to the degree programs, but there will be extensive writing requirements for all students (see below).

## ASSIGNED BOOKS

There are four assigned books, all available in paperback, for purchase at the Harvard Square Coop or on Amazon.

Dani Rodrik, *Economics Rules: The Rights and Wrongs of the Dismal Science*, Norton

Dani Rodrik, *The Globalization Paradox: Democracy and the Future of the World Economy*, Norton

Roberto Mangabeira Unger, *Democracy Realized: The Progressive Alternative*, Verso

Roberto Mangabeira Unger, *The Knowledge Economy*, Verso (pre-publication text on website)

The reading assignments not contained in these books are available on the internet or will be posted on the course website.

## WRITING REQUIREMENTS

Undergraduates: During the semester undergraduates will write two brief papers. The first paper will be due in class on March 4. The second paper will be due electronically by April 1, 12 noon.

Each of papers, on topics to be set, will respond to a major problem or idea discussed in the course up to that time. Each will be between 6 and 10 double-spaced pages long. Each will count for 20% of the final grade.

In lieu of a final examination, undergraduate students will write an extended take-home examination. This final paper or examination will provide you with an occasion to respond to a central aspect of the argument of the course. It should have a minimum of 15 and a maximum of 20 double-spaced pages. The topic or topics will be described in class on April 1. The paper will be due by 4 p.m. on May 2 (TBC, no extensions). The final examination paper will count for 50% of the final grade for undergraduates. 10% of the final grade for undergraduates will be attributed to participation in section.

Kennedy School students: HKS students will write a three-page essay (12 pt font, double-spaced, with 1" margins all around) before each week's class (except for the first class). The essays will be on a predetermined topic posted in advance. Their grade will be based on these essays (80%) and class participation (20%)

All other graduate students: The grade for all other graduate students, including law students, will be based entirely on a final take-home examination. which will be for them the only writing requirement in the course. The details for this final take-home examination are the same as described in the guidance to undergraduates above.

## COURSE OUTLINE

1	January 28	The course: its agenda and requirements. The rise of populism and illiberalism in advanced and developing economies. Economic growth, crisis, and inequality.
2	February 4	The present and future of the market economy and capitalism
3	February 11	The institutional bases of the market economy and capitalism (Guest: Daron Acemoglu)
	February 18	No class – Presidents’ Day
4	February 25	Economic growth: the received wisdom and its limitations (Guest: Ricardo Hausmann)
5	March 4	The new knowledge economy: its character, conditions, and consequences I (Guest: Charles Sabel)
6	March 11	The new knowledge economy: its character, conditions, and consequences II (Guest: Mariana Mazzucato)
	March 18	No class – Spring Break
7	March 25	Classical and Keynesian economics. Monetary, fiscal stimulus versus structural remedies to economic slumps (Guest: Jared Bernstein)
8	April 1	Global financial and economic crisis and the reorganization of finance (Guest: Raghuram Rajan)
9	April 8	Labor market institutions and inequality (Guest: Richard Freeman)
10	April 15	The developmental state (Guest: Michael Lind)
11	April 22	Conclusions: Rethinking political economy
	April 29	No class – Last day of HLS classes is April 26

## EXPECTATIONS OF PROFESSIONALISM

You are expected to abide by the University policies on academic honesty and integrity as given in the Student Handbook. Violations of these policies will not be tolerated and are subject to severe sanctions up to and including expulsion from the university. While study groups are encouraged, their proper purpose is not to do the writing assignments, but to help you think through the material. Each student is responsible for writing up and submitting the assignments. Group-constructed assignments are not acceptable.

## CLASS SEQUENCE AND READING ASSIGNMENS FOR EACH CLASS

1	January 28	The course: its agenda and requirements. The rise of populism and illiberalism in advanced and developing economies. Economic growth, crisis, and inequality.
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Jan-Werner Müller, “Capitalism in One Family,” London Review of Books, December 1, 2016.

Michael Lind, “The New Class War,” American Affairs, Summer 2017  
<https://americanaffairsjournal.org/2017/05/new-class-war/>.

Dani Rodrik, “Populism and the Economics of Globalization,” Journal of International Business Policy, vol. 1, 2018.

2	February 4	The present and future of the market economy and capitalism
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Dani Rodrik, Economics Rules, chaps. 1, 2, 5, 6.

Dani Rodrik, “Rescuing Economics from Neoliberalism,” Boston Review, November 6, 2017, <http://bostonreview.net/class-inequality/dani-rodrik-rescuing-economics-neoliberalism>.

RMU, "The Search for Alternatives to Neoliberalism in the Developing Countries" from *Democracy Realized: The Progressive Alternative*, pp. 52-71, 79-132.

RMU, "The Reinvention of Social Democracy" from *The Left Alternative*, pp. 83-97 and from the same book "Preface to the German-language edition", pp. 171-188.

3	February 11	The institutional bases of the market economy and capitalism
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Daron Acemoglu, “We Are the Last Defense Against Trump,” *Foreign Policy*, January 18, 2017.

Peter A. Hall and David Soskice, "Introduction" from Varieties of Capitalism, pp. 1-68.

RMU, "A Progressive Alternative" from Democracy Realized, pp. 133-212.

Daron Acemoglu and James A. Robinson, "Why Nations Fail Today" from Why Nations Fail, pp. 368-403.

4	February 25	Economic growth: the received wisdom and its limitations
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Robert J. Gordon, "The Demise of U.S. Economic Growth: Restatement, Rebuttal, and Reflections," NBER Working Paper No. 19895, February 2014.

Dani Rodrik, "The Past, Present, and Future of Economic Growth," in Franklin Allen and others, Towards a Better Global Economy: Policy Implications for Citizens Worldwide in the 21st Century, Oxford University Press, Oxford and New York, 2014.

RMU, "Democratic Experimentalism" from *Democracy Realized: The Progressive Alternative*, pp. 3-29.

RMU, *The Knowledge Economy*, pp. 189-226 (course website)

5	March 4	The new knowledge economy: its character, conditions, and consequences I
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Yochai Benkler, Peer production, the commons, and the future of the firm," Strategic Organization, 2016, 1-11,  
<http://journals.sagepub.com/doi/pdf/10.1177/1476127016652606>.

Charles Sabel, "The new organization of production, productive development policies and job creation," January 2016,  
<http://www2.law.columbia.edu/sabel/papers/Sabel%20New%20organization%20of%20Production,%20PDPs%20and%20Job%20Creation.pdf>.

Erik Brynjolfsson and Andrew McAfee, *The Second Machine Age*, pp. 2-12, 71-88

RMU, from “Vanguards and Rearguards” and “Three Programs for the Reorganization of Firms” from *Democracy Realized: The Progressive Alternative*, pp. 30-41, 41-71.

RMU, *The Knowledge Economy*, pp. 1-56, pp. 277-287 (course website).

6	March 11	The new knowledge economy: its character, conditions, and consequences II
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Mariana Mazzucato, “Mission-Oriented Innovation Policies: Challenges and Opportunities,” Oxford, *Industrial and Corporate Change*, Vol. 27, No. 5, pp. 803-815.

RMU, *The Knowledge Economy*, pp. 159-188 (course website).

7	March 25	Classical and Keynesian economics. Monetary, fiscal stimulus versus structural remedies to economic slumps
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Jared Bernstein, “Technocrats Know How to Fix the Economy. And They Did,” *The Washington Post*, January 23, 2015.

[https://www.washingtonpost.com/opinions/technocrats-know-how-to-fix-the-economy-and-they-did/2015/01/23/4d6cf83c-a29c-11e4-903f-9f2faf7cd9fe\\_story.html?utm\\_term=.223afd83ef80](https://www.washingtonpost.com/opinions/technocrats-know-how-to-fix-the-economy-and-they-did/2015/01/23/4d6cf83c-a29c-11e4-903f-9f2faf7cd9fe_story.html?utm_term=.223afd83ef80)

Jared Bernstein, “America’s Shampoo Economy,” *The New York Times*, December 11, 2017.

<https://www.nytimes.com/2017/12/11/opinion/bubble-economy-financial-regulation.html>

Jared Bernstein, “Why Did Nobody Notice It?” *Democracy Journal*, No. 45, Summer 2017.

<https://democracyjournal.org/magazine/45/why-did-nobody-notice-it/>

Simon Wren-Lewis, “Unravelling the New Classical Counter Revolution,” *Review of Keynesian Economics*, Vol. 4, no. 1, Spring 2016, pp. 20-35.

Tamara Lothian and RMU, “Crisis, Slump, Superstition, and Recovery: Thinking and Acting Beyond Vulgar Keynesianism.”

RMU, *The Knowledge Economy*, pp. 256-262 (course website).

8	April 1	Global financial and economic crisis and the reorganization of finance
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Claudio Borio, “The International Monetary and Financial System: Its Achilles Heel and What to Do about it,” *Bank for International Settlements*, Working Paper No. 456, August 2014.

Raghuram G. Rajan, “The Two Faces of Liquidity,” The 2018 Martin Feldstein Lecture, *NBER Reporter*, No. 3, September 2018.

<https://www.nber.org/reporter/2018number3/#report>

Richard C. Koo, “Yin and Yang Economic Cycles and the Holy Grail of Macroeconomics” from *The Holy Grail of Macroeconomics: Lessons from Japan’s Great Recession*, pp. 157-184.

Simon Johnson. “The Quiet Coup,” *The Atlantic*, May 2009.

Luigi Zingales, “Does Finance Benefit Society?” January 2015, <http://faculty.chicagobooth.edu/luigi.zingales/papers/research/finance.pdf>.

9	April 8	Labor market institutions and inequality
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RMU, *The Knowledge Economy*, pp. 71-82 (course website).

Anthony B. Atkinson, *Inequality: What can be done*, pp.155-206.

10	April 15	The developmental state
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Michael Lind, “Marx, Smith-or List?” *The Nation*, October 5, 1998.

Dani Rodrik, "Is Liberal Democracy Feasible in Developing Countries?" Studies in Comparative International Development, 50th Anniversary Issue, 2016.

RMU, "The Developing Countries: Growth with Inclusion" from *The Left Alternative*, pp. 64-82.

11	April 22	Conclusions: Rethinking political economy
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RMU, *The Knowledge Economy*, pp. 227-256, and pp. 262-276 (course website).

Dani Rodrik, The Globalization Paradox: Democracy and the Future of the World Economy, chaps. 9-12.