

GETTYSBURG COLLEGE | DEPARTMENT OF ECONOMICS

ECON 308 | Fall 2009 | M 01:10-03:40 PM | Glatfelter 104

**POLITICAL ECONOMY OF NEOLIBERALISM:
THEORETICAL ORIGINS, POLICY ISSUES, INSTITUTIONAL ALTERNATIVES**

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W 2:00-4:00 or by appointment

THE OBJECTIVE OF THE SEMINAR

This seminar is intended to accomplish two tasks. First, it is a seminar in **political economy** that intends to introduce the advanced undergraduate student who is well-versed in the fundamentals of mainstream economic theory to other schools of thought, which are alternative to mainstream neoclassicism, as well as to the subtleties of the neoclassical tradition itself. In order to accomplish this objective, we will focus not only Marxian political economy, institutional economics, social economics, feminist political economy but also Austrian economics, the Chicago school, new institutional economics, and new information economics. In this sense, this course could be considered as one in comparative schools of economic thought. Second, it is a thematic seminar that focuses on a social, political and economic movement which a large number of social theorists and researchers call **neoliberalism**. For the moment, let us define neoliberalism as **the governance of the society through economic incentives**. The seminar will study the theoretical sources of neoliberalism and will identify that there are, at least, three different variants: Austrian, Chicago and MIT/Cowles. We will then proceed to analyze the concrete ways in which neoliberalism (through very concrete sets of institutional arrangements) has shaped our livelihoods. We will conclude the seminar by studying a number of institutional alternatives to the neoliberal project at the micro, macro, and international levels.

PREREQUISITES

EC 243 or EC 245.

REQUIRED TEXTBOOKS

George DeMartino, 2000. *Global Economy, Global Justice: Theoretical Objections and Policy Alternatives to Neoliberalism*. London and New York: Routledge.

Meghnad Desai, 2002. *Marx's Revenge: The Resurgence of Capitalism and the Death of Statist Socialism*. London and New York: Verso

Milton Friedman, 2002. *Capitalism and Freedom: Fortieth Anniversary Edition*. Chicago: University of Chicago Press. [Originally published in 1962.]

Naomi Klein, 2007. *The Shock Doctrine: The Rise of Disaster Capitalism*. New York: Random House.

Richard D. Wolff and Stephen A. Resnick, 1987. *Economics: Marxian versus Neoclassical*. Armonk, Baltimore and London: The Johns Hopkins University Press.

REQUIRED E-RESERVES

REQUIRED READINGS FOR CLASSROOM DISCUSSION ASSIGNED BELOW ARE ALL AVAILABLE AT THE **E-RESERVES** AND ACCESSIBLE THROUGH **ANGEL**.

REQUIREMENTS

There are no midterms or final exams in this course. Only **response papers, a book review, and a research paper.**

Response papers	(8x5=)	40 points	due on the date indicated.
Review essay		20 points	due on November 20, by noon.
Research paper		35 points	due on December 18, by noon.
Attendance, etc.		5 points	(Throughout the semester)

Response papers: There will be 10 opportunities for submitting a response paper. While you are responsible for submitting only 8 response papers, you are most welcome to submit all the 10 response papers (I will choose the best 8 out of the 10). Each response paper (engaging with the readings, lectures and discussions that will have taken place since the last time you had an opportunity to submit a response paper) must be submitted by the day indicated in the syllabus. No late submissions are accepted. Which means that if you miss a particular deadline you cannot submit a retroactive response paper. So, if you miss two response papers, you should not miss anymore. Each response paper should be at least 3 pages and at most 5 pages long with double spaced, 12 size font. I would like you to email them to ymadra@gettysburg.edu. In this document you are expected to address and engage with (and not simply summarize) the readings, lectures and discussions pertaining to chosen topic. The classroom discussion will give you enough material to contemplate on...

Review essay: You will be expected to write a book review of Milton Friedman's *Capitalism and Freedom* together with Naomi Klein's *The Shock Doctrine: The Rise of Disaster Capitalism* (10 pages, 12 size font) analyzing the text in relation to each another, referring to the theoretical perspectives and policy issues explored and discussed in the course. The review essay will be due at noon, on Friday, November 20.

Research Paper: Instead of a final exam, you will write a research paper (15-20 pages) and it will be due on Friday December 18, 2009. You will need to decide on your topic fairly early on and you will need to write your paper in continuous contact with me. More detailed handouts will follow.

Attendance: Regular attendance, both physical and intellectual, is required. Attendance will be taken regularly. Each time you miss a class 1 point will be deducted from your total 100. If you fail to attend more than 3 times, you will risk failing the course.

Note: If you are going to be late for anything, please inform me ahead of time. All delays (except for the response papers), except those due to extenuating circumstances, up to the first 24 hrs, will cost you 2 points. After the first 24 hrs, everyday will cost you 1 additional point.

And finally I will assume that you will uphold the **Gettysburg College Honor Code**. Practically speaking this will mean the following: While you are most welcome to work together in discussion groups, it is your responsibility to make sure that when you are preparing your essays and papers, you will **WORK ON YOUR OWN**. You can, of course, refer to your notes, textbooks, and additional readings (with accurate citation) in preparing your work.

COURSE OUTLINE (=MUST READ; *=REQUIRED, BUT SECONDARY)**

I. INTRODUCTION AND THEORETICAL FUNDAMENTALS (Jan. 17-31)

a. Introduction (August 31)

Wolff and Resnick, pp. 1-37.**

DeMartino, pp. 1-34.**

Desai, 12-35.

b. Fundamentals of Neoclassical Economics (August 31)

DeMartino, pp. 35-52.**

Wolff and Resnick, pp. 38-124.*

c. Marxian Economics: Concepts of class analysis (September 7)

Wolff and Resnick, pp. 125-204.**

Desai, pp. 36-53.*

d. The circuits of capital and the crisis tendencies of capitalism (September 14)

Wolff and Resnick, pp. 204-238.**

Desai, pp. 54-83 and 130-142. (Chapter 5, “Marx II: Profits” and Chapter 8, “War and Imperialism”)**

Yahya M. Madra and Fikret Adaman. “Marxisms and capitalisms: From logic of accumulation to articulation of class structures.” In *Twentieth Century Marxism: A Global Introduction*, edited by Daryl Glaser and David M. Walker. London and New York: Routledge, 2007, 212-229.*

II. THEORETICAL ORIGINS OF NEOLIBERALISM (SEPTEMBER 21-OCTOBER 19)

a. Against planning, for spontaneous order: The Austrian school (September 21)

Desai, pp. 158-198 (Chapters 10, 11, and 12)**

Friedrich A. Hayek. *Individualism and Economic Order*. Chicago: The University of Chicago Press, 1948, pp. 33-56 and 77-91. (Chapter 2, “Economics and Knowledge” and Chapter 4, “The Use of Knowledge in Society”)**

Bruce Caldwell, 1997. “Hayek and Socialism.” *Journal of Economic Literature* 35 (December): 1856-90. *

Fikret Adaman and Pat Devine, 1997. “On the Economic Theory of Socialism.” *New Left Review* I, 221, pp. 54-80.

Robert Sugden, 1989. “Spontaneous Order.” *Journal of Economic Perspectives* 3, No. 4 (Autumn), pp. 85-97.

b. “The survival of the fittest”: The Chicago school (September 28)

Friedman, pp. 1-37 and 108-136.**

Klein, pp. 56-152.**

Thomas Lemke, 2001. “‘The birth of biopolitics’: Michel Foucault’s lecture at the Collège de France on neo-liberal governmentality” *Economy and Society* 30, No. 2 (May), pp. 190-207.*

Armen A. Alchian, 1950. “Uncertainty, Evolution, and Economic Theory.” *Journal of Political Economy* 58, No. 3 (June), pp. 211-221.

Gary S. Becker, 1962. “Irrational Behavior and Economic Theory.” *Journal of Political Economy* 70, No. 1 (February), pp. 1-13.

c. Designing incentive compatible institutions: Cowles Commission and new information economics (October 5)

Pranab Bardhan and John Roemer. “Market Socialism: A Case for Rejuvenation.” *Journal of Economic Perspectives*, Vol. 6, No. 3 (Summer, 1992), pp. 101-116.**

Yahya M. Madra and Fikret Adaman. “Public Economics After Neoliberalism.” Unpublished Mimeo, Economics Department, Gettysburg College, 2009.**

S. Abu Turab Rizvi. “The microfoundations project in general equilibrium theory.” *Cambridge Journal of Economics* 18, No. 4 (August 1994), pp. 357-377.

Stiglitz, Joseph E. *Whither Socialism?* Cambridge, MA and London: The MIT Press, 1994, pp. 1-63. (Chapters 1-4)

d. Three variants of neoliberalism and the history of post-war capitalism (October 19)

DeMartino, pp. 53-90.**

Desai, pp. 199-234. (Chapter 13, “Foundations of the Global Order” and Chapter 14, “The Golden Age of National Capitalism”) **

Stephen A. Resnick and Richard D. Wolff. *New Directions in Marxian Theory*. London and New York: Routledge, 2006, pp. 309-329 and 341-353. (Chapter 15, “The Reagan-Bush Strategy: Shifting crises from enterprises to households and Chapter 17, “Exploitation, consumption, and the uniqueness of US capitalism”) **

III. POLICY ISSUES IN NEOLIBERAL PRACTICE (October 26-November 16)

a. Competitiveness, Privatization and Accumulation by Dispossession (October 26-November 2)

DeMartino, pp. 125-189.**

Klein, 155-201.**

David Harvey. *The New Imperialism*. Oxford and New York: Oxford University Press, 2005, pp. 137-182. (Chapter 4, “Accumulation by Dispossession”).**

Desai, pp. 250-291.*

Ben Fine. “Privatization: Theory with Lessons from the United Kingdom.” In *Contemporary Economic Theory: Radical Critiques of Neoliberalism*, edited by Andriana Vlachou. New York: St. Martin’s Press, 1999, pp. 41-66.*

Stiglitz, Joseph E. *Whither Socialism?* Cambridge, MA and London: The MIT Press, 1994, pp. 109-138 and 171-196. (Chapter 7, “Competition” and Chapter 10 “Privatization”)

b. Financial and Trade Liberalization: The Age of Finance Capital (November 9)

Friedman, pp. 37-74. (“The Control of Money” and “International Financial and Trade Arrangements”)**

DeMartino, pp. 190-216.**

Gérard Duménil and Dominique Lévy, 2004. “The Real and Financial Components of Profitability (United States 1952-2000).” *Review of Radical Political Economics* 36, No. 1 (Winter), pp. 82-110.*

Desai, pp. 292-315.

c. Neoconservatism vs. Neoliberalism (November 16)

David Harvey. *A Brief History of Neoliberalism*. Oxford and New York: Oxford University Press, 2005, pp. 64-86. (Chapter 3, “The Neoliberal State”)**

Klein, pp. 337-388.**

Robert L. Bartley. “The Dread Deficit.” In *The Neocon Reader*, edited by Irwin Stelzer. New York: Grove Press, pp. 181-192.**

Irving Kristol. “A Conservative Welfare State.” In *The Neocon Reader*, edited by Irwin Stelzer. New York: Grove Press, pp. 143-148.*

Irwin Stelzer. “Neoconservative Economic Policy: Virtues and Vices.” In *The Neocon Reader*, edited by Irwin Stelzer. New York: Grove Press, pp. 193-198.*

IV. INSTITUTIONAL ALTERNATIVES TO NEOLIBERALISM (NOVEMBER 23-DECEMBER 7)

a. Micro-alternatives: Community Economies and Worker Cooperatives (November 23)

J.K. Gibson-Graham, *A Postcapitalist Politics*. Minneapolis and London: University of Minnesota Press, 2006, pp. 53-126. (Chapter 3, “Constructing a Language of Economic Diversity”, Chapter 4, “The Community Economy”, and Chapter 5, “Surplus Possibilities: The Intentional Economy of Mondragon”)**

THE TAKE, a documentary by Naomi Klein and Avi Lewis, First Run Pictures, 2004.**

b. Macro-alternatives: Social Security and Basic Income (November 30)

Friedman, pp. 161-202.**

DeMartino, pp. 91-124.**

David Purdy, 1994. "Citizenship, Basic Income and the State." *New Left Review* I, 208, pp. 30-48.**

Martin H. Wolfson, 2006. "Neoliberalism and Social Security." *Review of Radical Political Economics* 38, No. 3 (Summer), pp. 319-326.

Douglas V. Orr, 2006. "The Rhetoric of the Social Security Debate." *Review of Radical Political Economics* 38, No. 3 (Summer), pp. 327-333.

Michael Lewis, Steven Pressman and Karl Widerquist. 2005. "The Basic Income Guarantee and Social Economics." *Review of Social Economy* 63, No. 4 (December), pp. 587-593.

c. International Alternatives: Fair Trade Agreements and Tobin Tax (December 7)

DeMartino, pp. 190-216.**

	Topic	Reading	Assignments
August 31	Intro + Fundamentals of Neoclassical Economics		
September 7	Marxian Economics: Concepts of class analysis		1st RP due on 9/11.
September 14	Marxian Economics: The circuits of capital and the crisis tendencies		2nd RP due on 9/18.
September 21	Against planning, for spontaneous order: The Austrian School		3rd RP due on 9/25.
September 28	“The survival of the fittest”:The Chicago School		4th RP due on 10/2.
October 5	Designing Institutions: The MIT/Cowles approach		5th RP due on 10/9.
October 19	The three forms of neoliberalism and history of post-war capitalism		6th RP due on 10/23.
October 26	Competitiveness and Privatization		7th RP due on 10/30.
November 2	Accumulation by Dispossession		
November 9	Trade and Financial Liberalization: The Age of Finance Capital		8th RP due on 11/13.
November 16	Neoconservativism vs. Neoliberalism		BOOK REVIEW due on 11/20.
November 23	Micro Alternatives: Community Economies and Worker Cooperatives		
November 30	Macro Alternatives: Social Security and Social Wage		9th RP due on 12/4.
December 7	International Alternatives: Fair Trade Agreements, Tobin Tax,		10th RP due on 12/11.
December 18			FINAL PAPER due at noon.