

**CAPITALISM & SOCIALISM, DEMOCRACY & DICTATORSHIP**

**Course Description**

Our course involves a broad field of study—often referred to as "political economy"—whose purpose is to develop an understanding of the relationship between economic systems and political systems. In this particular course, we will address a central question in modern political economy: why do political systems which are democratic virtually always have economic systems which are capitalist?

The relationship between democracy and capitalism has been hypothesized to take many different forms. For example, each of the following assertions can be found in, or at least derived from, the various bodies of literature on capitalism and democracy:

- Democracy leads to capitalism,
- Capitalism leads to democracy,
- Democracy undermines capitalism, and
- Capitalism undermines democracy.

Since countries with democratic political systems virtually always have capitalist economic systems (of varying sorts), this fact does put some constraints on the extent to which the latter two assertions can be true.

Of course, the relationship may be somewhat more complex than each of these simple hypotheses suggests. For example, it may be that capitalism and democracy are mutually supportive, and so can be considered to have "co-evolved." Or it may be that different countries have arrived at their combination of democracy and capitalism via different routes, some countries starting with capitalism and only later becoming democratic, and other countries starting with democracy and only later becoming capitalist.

We can also gain some insight into the relationship between capitalism and democracy by examining their "opposites," which are socialism (and other kinds of extensive government control of the economy) and dictatorship (and other authoritarian forms of government). Two hypotheses about the relationship of socialism and democracy can be found in the literature:

- Socialism leads to dictatorship, and
- Dictatorship leads to socialism.

In exploring these various hypotheses about capitalism, socialism, democracy, and dictatorship, we will develop an understanding of some of the most fundamental aspects of political economy in the 20th and 21st centuries.

**Readings**

Three books are assigned, and all are available for purchase:


There will also be a coursepack which is available for purchase at Ned's Bookstore, 135 E. Grand River; phone: 332-4200.
Course Requirements

There will be five short (5-page) papers and one final paper which is at least 20 pages long. There will be a total of 100 points available. Each short paper is worth 10 points, for a total of 50 points. The final paper is worth 50 points.

In grading your papers, I will put great emphasis not only on the quality of your arguments but also on the quality of your writing. In addition to teaching you what I can about political economy, one of my goals for this semester is to help you improve the quality of your writing.

Note: At the beginning of the semester I will provide a handout specifying my expectations regarding the content of your papers and the quality of your writing (including grammar and spelling). You will be held responsible for meeting the standards laid out in this handout; deviations from these standards will lead to substantial reductions in the grades on your papers. In this course I emphasize how well you express your ideas as much as what those ideas are.

Attendance Policy

Attendance is mandatory. I will take attendance at every class. Any student who is absent for more than four (4) class periods after the second week of the class will automatically flunk the class. (Four class periods comprise two full weeks of the 15-week semester.)

Absences can be excused only if the student presents a form, letter, or certificate from a doctor or member of the clergy describing the reason for the absence. Because there is often some ambiguity about excused absences, it is wise for the student to contact me before the class or classes which will be missed. My office phone number is 517-353-3282, and my email address is thammond@msu.edu; if absolutely necessary, I can be reached at home at 517-349-4525.

Paper Schedule

The due dates for the short papers are indicated in the Class Schedule below, but I reserve the right to change the dates to accommodate the progress of the class. (Papers will never be due any earlier than these dates.)

The final paper will be due on Wednesday, May 1 at my office, 343 South Kedzie, by 5:00 p.m (during finals week).

Classroom Format

Classroom sessions will be a mixture of lectures, debates, and discussions. Students should feel free at all times to ask questions in class and raise issues for clarification and further discussion.

I will feel free to call on any student at any time to provide brief a summary of the readings which are due for that day.

Classroom Etiquette

You will be expected to observe norms of proper behavior in this class. Among them are:

1. Arrive at class prior to the official beginning of the class, which is 10:20 am. It is very disruptive to have students wandering in after I have begun the class. If you must be late, please make arrangements with me before the beginning of the class.

2. If you do arrive late (after 10:20 am), do not walk through the middle of the classroom; that too is very disruptive. Instead, quietly take a seat as close to the door as possible.

3. Do not hold whispered conversations with your neighbors during the class; that is very disruptive to the rest of the class.

4. If you must leave early, please alert me before the class begins. In addition, take a seat close to the door so that you may leave quietly and without disturbing the class.
Instructor Office Hours

I will hold office hours on Wednesdays and Thursdays from 3:00 pm to 5:30 pm, and by special appointment. I will always be available for questions immediately after class. My office is Room 343, South Kedzie Hall. My office phone number is 353-3282. Messages can be left for me at 355-6590, which is the Political Science Department office. My e-mail address is: thammond@msu.edu.

Class Schedule and Reading Assignments

Note: When an item is listed as “Read” under a particular class period and date, you should read it before the beginning of that class period.

Note: Unless otherwise indicated, items listed as “Optional (On Reserve)” are on reserve at the Assigned Readings desk at the Main Library.

INTRODUCTION

Week 1 -- Tuesday, January 8: Overview of Course -- A

Hand out syllabus
Describe and discuss course
Answer questions about course

Define "capitalism," "mixed economy," "socialism," "democracy," "dictatorship," and "authoritarian government" as generally used in this course

Description of nine hypotheses which will be considered in our course:

1. Capitalism leads to democracy,
2. Democracy leads to capitalism,
3. Capitalism and democracy are mutually supportive, and so can be considered to have "co-evolved,"
4. Democracy undermines capitalism,
5. Capitalism undermines democracy,
6. Different countries have arrived at their combination of democracy and capitalism via different routes,
7. Socialism leads to dictatorship, and
8. Dictatorship leads to socialism.

Display chart for classifying countries as capitalist/socialist and democratic/dictatorial

-- Thursday, January 10: Overview of Course -- B

Continue discussion and presentation about course.

Read: Gabriel Almond, "Capitalism and Democracy" (coursepack)
Peter Berger, "The Uncertain Triumph of Democratic Capitalism" (coursepack)

Appoint six presentation groups for the Thursday, January 17 and Tuesday, January 22 classes.
HISTORICAL STUDIES OF THE ORIGINS OF THE MODERN EUROPEAN STATE

Week 2 -- Tuesday, Jan. 15: Warfare, Constitutionalism, and the Origins of the European State -- A

Instructor lecture:
· what are Downing’s arguments?
· what are the weaknesses of Downing’s arguments?

Read: Downing, The Military Revolution and Political Change, ch.1-3

-- Thursday, Jan. 17: Warfare, Constitutionalism, and the Origins of the European State -- B

Present group reports on individual countries: ch.4 (Brandenburg-Prussia), ch.5 (France), ch.6 (Poland), ch.7 (England), ch.8 (Sweden), ch.9 (The Dutch Republic). For each country, summarize the basic elements of Downing’s story on the origins of that state. Note: no more than 20-25 minutes per report.

Read: Downing, The Military Revolution and Political Change, ch.4-9

Week 3 -- Tuesday, Jan. 22: Warfare, Constitutionalism, and the Origins of the European State -- C

Finish group reports on individual countries.

Read: Downing, The Military Revolution and Political Change, ch.10 "Conclusions"


DOES DICTATORSHIP LEAD TO "SOCIALISM"
(OR AT LEAST TO EXTENSIVE GOVERNMENT REGULATION OF THE ECONOMY)?

-- Thursday, Jan. 24: Autocrats as Roving or Stationary Bandits

Paper #1 due at the beginning of class

Read: Olson, "Dictatorship, Democracy, and Development" (coursepack)

Week 4 -- Tuesday, Jan. 29: Monarchs and Economic Management

Instructor lecture

Read: Hammond notes on Ekelund and Tollison, Mercantilism as a Rent-Seeking Society ("mercan1")

Optional (On Reserve):

Ekelund and Tollison, Mercantilism as a Rent-Seeking Society (1981)
Ekelund and Tollison, Politicized Economies: Monarchy, Monopoly, and Mercantilism (1997)
-- Thursday, January 31: How Do Modern Third-World Dictators Manage Their Economies?

Read (On Reserve): Clapham, Third World Politics: An Introduction, ch.5 "Managing the Economy"


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DOES SOCIALISM LEAD TO DICTATORSHIP?

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Week 5 -- Tuesday, Feb. 5: Socialism, Central Economic Planning, and the Demise of Democracy -- A

Read: Hayek, The Road to Serfdom, ch.1-5

-- Thursday, Feb. 7: Socialism, Central Economic Planning, and the Demise of Democracy -- B

Class discussion

Finish Reading: Hayek, The Road to Serfdom, ch.6-11 (skim 12-16)

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DOES DEMOCRACY LEAD TO CAPITALISM?:
DEMOCRATIC POLITICAL INSTITUTIONS AND THE ORIGINS OF CAPITALISM

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Week 6 -- Tuesday, Feb. 12: The Legal and Political Prerequisites of Free Markets

Paper #2 due at the beginning of class

Instructor lecture

Read: Hammond notes on the prerequisites of free markets ("markets1")
  · Property rights
  · The enforcement of contracts
  · The role of independent courts

-- Thursday, Feb. 14: The Efficiency, Creativity, and Adaptability of Markets

Instructor lecture

Class discussion of the ideas and arguments about prerequisites of free markets and the creativity and adaptability of markets.

Read: Hammond notes on the creativity and adaptability of markets ("markets2")
  · The "Austrian" school of economics
Week 7 -- Tuesday, Feb. 19: Constitutionalism, Rent-Seeking, and the Origins of English Capitalism

Instructor lecture

Read: Hammond notes on Ekelund and Tollison, Mercantilism as a Rent-Seeking Society ("mercan2")

Optional (On Reserve):

- Ekelund and Tollison, Mercantilism as a Rent-Seeking Society (1981)
- Ekelund and Tollison, Politicized Economies: Monarchy, Monopoly, and Mercantilism (1997)

-- Thursday, Feb. 21: Fiscal Crises and the Origins of English Constitutionalism

Read: North and Weingast, "Constitutions and Commitment: The Evolution of Institutions Governing Public Choice in Seventeenth Century England" (coursepack)


Week 8 -- Tuesday, Feb. 26: Federalism and the Origins and Maintenance of Capitalism

Read: Weingast, "The Economic Role of Political Institutions: Market-Preserving Federalism and Economic Development" (coursepack)
- Montinola, Qian, and Weingast, "Federalism, Chinese Style: The Political Basis for Economic Success in China" (coursepack)

-- Thursday, February 28: Do Democracies or Dictatorships Produce Greater Economic Growth?

Read: Przeworski and Limongi, "Political Regimes and Economic Growth" (coursepack)
- Clague, Keefer, Knack, and Olson, "Property and Contract Rights in Autocracies and Democracies" (coursepack)

Optional (On Reserve): Hadenius, Democracy's Victory and Crisis (1997), ch.9
- Przeworski and Limongi, "Democracy and Development"

Week 9 -- Tuesday, Mar. 5: SPRING BREAK: NO CLASS

-- Thursday, March 7: SPRING BREAK: NO CLASS

Week 10 -- Tuesday, Mar. 12: Class Discussion on the Democratic Origins of Capitalism

Paper #3 due at the beginning of class

Class discussion of arguments about the political/democratic foundations of capitalism

Read: Hammond notes on "If Democracy Leads to Capitalism, Which Particular Aspect of Democracy Is Critical?" ("mercan3")

Optional (On Reserve):

- Scully, Constitutional Environments and Economic Growth (1992)
DOES CAPITALISM LEAD TO DEMOCRACY?:
ECONOMIC DEVELOPMENT AND THE ORIGINS AND MAINTENANCE OF DEMOCRACY

-- Thursday, Mar. 14: Does Economic Development Lead to Democracy? -- A


Week 11 -- Tuesday, Mar. 19: Does Economic Development Lead to Democracy? -- B

Read: Diamond, "Economic Development and Democracy Reconsidered" (coursepack)
Huber, Rueschemeyer, and Stephens, "The Impact of Economic Development on Democracy" (coursepack)

Optional (On Reserve):

Hadenius, Democracy and Development (1992)

-- Thursday, Mar. 21: Does Economic Development Lead to Democracy? -- C

Read: Brunk, Caldeira, and Lewis-Beck, "Capitalism, Socialism, and Democracy: An Empirical Inquiry" (coursepack)
Przeworski, Alvarez, Cheibub, and Limongi, "What Makes Democracies Endure?" (coursepack)


Week 12 -- Tuesday, Mar. 26: Does Capitalism Promote Democratic Values?

Read: Hammond notes on arguments that capitalism induces ethical values which are supportive of democracy ("markets3")


-- Thursday, Mar. 28: Class Discussion of the Economic Origins of Democracy

Class discussion of the economic origins of democracy
DOES DEMOCRACY UNDERMINE CAPITALISM?

Week 13 -- Tuesday, April 2: The Critique of Capitalism -- A

Paper #4 due at the beginning of class

Read:  Hammond notes on what markets do not do well ("crit1")
       Potential problems with...
       · Restraints of trade (cartels, monopolies)
       · Negative externalities
       · Underproduction of public goods
       · Other possible problems

Optional (On Reserve):

Dahl, *After the Revolution* (1990), ch.1-4

-- Thursday, Apr. 4: The Critique of Capitalism -- B

Class discussion

Read:  Hammond notes on the ethical deficiencies of markets ("crit2"):  
       · Unequal initial endowments
       · Unequal income distributions resulting from differential market success
       · Unequal individual capacities.

Hammond notes on political responses to the problems of markets ("crit3")

Optional (On Reserve):

Dahl, *After the Revolution*, ch.1-4

DOES CAPITALISM UNDERMINE DEMOCRACY?

Week 14 -- Tuesday, Apr. 9: Does Business Have a Privileged Position in a Democracy? -- A

Read:  Lindblom, *Politics and Markets*, ch.12-17 (ON RESERVE)

Optional (On Reserve):

-- Thursday, Apr. 11: Does Business Have a Privileged Position in a Democracy? -- B

Class discussion

Read: Vogel, "Political Science and the Study of Corporate Power" (coursepack)


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CONTEMPORARY POLICY PRESCRIPTIONS: AUTHORITARIANISM, DEMOCRACY, AND THE SEQUENCING OF TRANSITIONS IN ECONOMIC DEVELOPMENT

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Week 15 -- Tuesday, Apr. 16: Authoritarianism versus Democracy as a Means to Economic Development -- A

Paper #5 due at the beginning of class

Class discussion

Read: Diamond and Plattner, Economic Reform and Democracy, ch.1 (Haggard and Kaufman), ch.2 (Maravall), ch.4 (Nelson), ch.5 (Geddes), ch.6 (Aslund), ch.17 (Armijo, Biersteker, and Lowenthal)

Re-Read: Clague, Keefer, Knack, and Olson, "Property and Contract Rights in Autocracies and Democracies" (coursepack)

-- Thursday, Apr. 18: Authoritarianism versus Democracy as a Means to Economic Development -- B

Paper #5 due at the beginning of class

Class discussion

Read: Diamond and Plattner, Economic Reform and Democracy, ch.1 (Haggard and Kaufman), ch.2 (Maravall), ch.4 (Nelson), ch.5 (Geddes), ch.6 (Aslund), ch.17 (Armijo, Biersteker, and Lowenthal)

Re-Read: Clague, Keefer, Knack, and Olson, "Property and Contract Rights in Autocracies and Democracies" (coursepack)

Week 16 -- Tuesday, Apr. 23: The Problem of Simultaneous Transitions -- A

Class discussion and in-class workgroups for final papers

Read: Diamond and Plattner, Economic Reform and Democracy, ch.17 (Armijo, Biersteker, and Lowenthal)

-- Thursday, Apr. 25: The Problem of Simultaneous Transitions -- B

Class discussion and in-class workgroups for final papers

Read: Diamond and Plattner, Economic Reform and Democracy, ch.17 (Armijo, Biersteker, and Lowenthal)
Short Paper Topics

For each essay you must consider and integrate the major arguments from the lectures, discussions, and readings for the relevant section of the course. Required length: approximately 5 pages double-spaced.

My grading standards are:

10 points (4.0): Outstanding; not possible to do any better survey and analysis
9 points (4.0): Excellent coverage and analysis of all the major themes and arguments
8 points (3.5): Good analysis of most or all the major themes and arguments
7 points (3.0): Reasonable coverage of most of the major themes and arguments; some gaps and weaknesses
6 points (2.5): Coverage of some of the major themes and arguments; various deficiencies
5 points (2.0): Some coverage of some of the major themes and arguments; substantial deficiencies
4 points or below: Major weaknesses and deficiencies

I reiterate that grading will be based both on the quality of your ideas and arguments and the quality of your writing.

1. What accounts for the origins and characteristics of the modern European state?

Write an essay in which you (a) discuss and (b) critically analyze Downing's arguments about why some states became democratic and other states became (or simply remained) authoritarian. (The phrase “critically analyze” means that you assess the overall quality of his argument. That is, does his argument make sense?; is his argument supported by the evidence that he presents?; are all important factors taken into account, or does he ignore some important factors?)

2. Does socialism lead to dictatorship, or does dictatorship lead to socialism?

Given that socialism (or at least extensive government regulation of the economy) is often associated with dictatorship (or at least a great concentration of political authority in the hands of a small number of individuals), write an essay in which you discuss how, why, and the extent to which socialism (or at least extensive government regulation of the economy) might be expected to lead to dictatorship, or dictatorship lead to socialism, or both, or neither.

3. Does democracy lead to capitalism?

Write an essay in which you discuss the impact of democratic -- or at least non-dictatorial -- political institutions and practices on the origins, development, and maintenance of capitalism.

4. Does capitalism lead to democracy?

Write an essay in which you discuss the impact of capitalism and economic development on the origins and maintenance of democratic values and institutions. Be sure to discuss whether it is capitalism which is the key causal variable, or simply any kind of economic development (whether fostered by capitalism or by some other kind of economic system).

5. Does capitalism undermine democracy, and does democracy undermine capitalism?

Write an essay in which you discuss how, why, and the extent to which capitalism might be expected to undermine democracy, or democracy might be expected to undermine capitalism, or both, or neither.
Final Paper Topics

Due Wednesday, May 1 by 5:00 p.m. in my office at 343 South Kedzie.

Assume there is a country which is non-democratic and non-capitalist. Assume also that you are a consultant and that you have been hired by the World Bank to advise it on what strategy it should urge the country to adopt so as to become democratic and economically developed. Write an essay in which you develop recommendations on several of the key issues involving what strategies and policies the United Nations or World Bank should try to get this country to adopt:

(a) Should this country adopt a democratic government, or maintain its non-democratic government, so as to best foster economic growth?
(b) If we define “marketization” as meaning the privatization of government-run industry and the creation of free, competitive markets, should democratization come first, then marketization, or should marketization come first, then democratization, or should the transitions to democracy and markets be made simultaneously?
(c) Should the democratization proceed slowly or rapidly?
(d) Should any marketization proceed slowly or rapidly?
(e) Do your recommendations on these questions depend on the particular characteristics of the country, or do your recommendations hold for all non-democratic and non-capitalist countries, no matter what their particular characteristics? (Be sure to discuss what the chief relevant characteristics might be.)

In developing your recommendations, you should explicitly consider and discuss (i) the logic of, (ii) the evidence for and against, and (iii) the relevance of the following eight hypotheses that we have considered, in varying degrees, in our course:

1. Capitalism leads to democracy,
2. Democracy leads to capitalism,
3. Capitalism and democracy are mutually supportive, and so can be considered to have "co-evolved,"
4. Democracy undermines capitalism,
5. Capitalism undermines democracy,
6. Different countries have arrived at their combination of democracy and capitalism via different routes,
7. Socialism leads to dictatorship, and
8. Dictatorship leads to socialism.

To demonstrate your command of the literature that we read, it is strongly recommended that you integrate into your essay all or most of the articles, books, and book chapters that were assigned. For this particular topic, it is especially important for you to read and make extensive reference to the chapters in Diamond and Plattner's Economic Reform and Democracy.

Alternative Final Paper Topic

If you wish to write on an alternative final topic, I encourage you to do so. However, you must work with me to define the central topic, argument, or question for your paper. And you must begin your discussions with me soon after Spring Break at the latest.