

Economics 365-001

Social Economic Organization

Instructor: Professor John Garen
Office: 223P Business & Economics
Hours: 2:00 - 3:00 Tu, Th and by appt.
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Spring 2020
3:30 – 4:45 Tu, Th
BE 127

Background

This course presents fundamental ideas underlying economic organization, including capitalism and its critiques and alternatives. The deep background and historical roots of capitalism are discussed in addition to those of several alternative economic/social systems. Also, historical episodes and selected controversies are discussed that illustrate the contrasting views of proponents and opponents of capitalism. While the literature on these topics is voluminous, the assignments, lectures, and discussions will give you a good sampling of the fundamental ideas and arguments.

Text and Course Materials

There is no text book for the course. There is a set of main readings that will be covered in class which will be provided via canvas. Additionally, there will be substantial lecture material presented and discussed in class that is an essential part of the course.

Course Structure, Requirements, and Grades

Class meetings will consist of lecture and discussion of course readings. A good deal of the material for the course is from class lecture/discussion in addition to the assigned readings. Regular attendance and note taking is essential to do well in the course.

There will be two midterm exams and one final. Exams will consist of short answer and essay/analysis-type questions. Homework problems will be assigned throughout the term and generally are short answer in nature. Additionally, course attendance and course participation are components of your grade.

The percentage breakdown for each is:

First Exam	27.5%
Second Exam	27.5%
Final Exam (during finals)	27.5%
Homework	10%
Class attendance	2%
Class participation	5.5%

Regarding course participation. This is taken very seriously. Your participation may be verbal class interactions or written. Participation credit for each class period (starting January 21) is attained one of three ways: (1) each class period, I will ask you to submit a note indicating your willingness to be called on to discuss the day's assignment; (2) you may also simply participate in the day's discussion; (3) you may fill out short responses to the day's reading outline and turn it into me at the start of class. You will receive participation credit for the day

in any of these ways. Additionally, extra credit participation may be available for outside class events. Participation is not required every day; participation in half of the classes is considered full credit.

Also note that since an important component of the class involves discussion of some issues that may be controversial, it is important to maintain civility and respect for one another.

Grades are assigned depending on your performance on each of the above. In determining your grade, I follow the University rules regarding the marking system. It is the following (with slight paraphrasing):

- A: Represents exceptionally high achievement.
- B: Represents high achievement.
- C: Represents average achievement.
- D: Represents the minimum passing grade.
- E: Represents unsatisfactory performance and indicates failure of the course.

Absences and Attendance (see syllabus appendix for further detail)

Attendance will be taken each class period and factored into your grade as discussed above. Students with a University-excused absence for missing class will not have that missed class counted against them. Likewise for class participation. Regardless, if you miss a regular class meeting, it is your responsibility to obtain notes and other material from that class period.

Make-up Exams (see syllabus appendix for further detail)

Students who have a University-excused absence for missing an exam may take a make-up. Arrangements for a make-up must be made with the instructor as soon as possible. Make-ups will be scheduled at a time mutually convenient for the student and the instructor.

Academic Integrity (see syllabus appendix for further detail)

Per university policy, students shall not plagiarize, cheat, or falsify or misuse academic records. Students are expected to adhere to University policy on cheating and plagiarism.

Accommodations Due to Disability (see syllabus appendix for further detail)

If you have a documented disability that requires academic accommodations, please see me as soon as possible. A Letter of Accommodation from the Disability Resource Center is required.

Non-Discrimination (see syllabus appendix for further detail)

All University rules regarding non-discrimination will be strictly adhered to.

Course Outline and Assigned Readings

I. The Economic Problem, Economic Organization, and Views of Human Nature

White, Lawrence H., *The Clash of Economic Ideas*, "Introduction," pgs. 1, 5-6, 8-11.

Sowell, Thomas, *A Conflict of Visions*, New York: Basic Books, 2007, Ch. 1, "The Role of Visions," pgs. 3-8, and Ch. 2, "Constrained and Unconstrained Visions," pgs. 9-35.

Smith, Adam, *The Theory of Moral Sentiments*, 1759, sections from pt. I, sect. I, ch. I, Of Sympathy; pt. I, sect. 1, ch. II, Of the Pleasure of Mutual Sympathy; pt. I, sect. I, ch. III, Of the Manner . . . ; pt. II, sect. II, ch. II, Of the Sense of Justice, of Remorse, . . . ; pt. III, ch. III, Of the Influence and Authority of Conscience, and pt. VI, sect. II, ch. II, “Of the order in which Societies are Recommended in our Beneficence.”

Godwin, William, *An Enquiry Concerning Political Justice*, 1793, Volume I, Chapter III, “The Moral Character of Men Originate in Their Perceptions.”

Hayek, Friedrich, *The Fatal Conceit*, Chicago: The University of Chicago Press, Ch. 1, “Between Instinct and Reason,” pgs. 11-28.

II. Some Basics of Capitalism/Free Enterprise

A. Markets: Production, Exchange, and Decentralization

Smith, Adam, *The Wealth of Nations*, New York: The Modern Library, 1937 (1776): Book I, Ch. I, “Of the Division of Labour,” pgs. 3-12; Book I, Ch. II, “Of the Principle Which Gives Occasion to the Division of Labour,” pgs. 13-16; Book II, Ch. II, “Of Restraints Upon the Importation From Foreign Countries . . .,” pgs. 420-424.

Hayek, Friedrich, “The Use of Knowledge in Society,” *American Economic Review*, 35(4), September 1945.

Garen, John, “The Allocation and Exchange of Property Rights as a Way to Understand Comparative Economic Systems and Managerial Economics,” Institute for the Study of Free Enterprise, University of Kentucky, July 2019, p. 1-11.

B. Early Historical Developments

Maddison, Angus, “The West and the Rest in the World Economy: 1000-2030,” *World Economics*, 9(4), October – December 2008, p. 75- 81.

Rosenberg, Nathan and Birdzell, L.E., *How the West Grew Rich*, Basic Books, 1986:
Introduction, pgs. 3-36 and;
Ch. 4, “The Evolution of Institutions Favorable to Commerce,” pgs. 113-143.

Pethokoukis, James, interview with Stephen Davies, American Enterprise Institute, Political Economy Podcast, <https://www.aei.org/economics/the-origins-and-future-of-the-wealth-explosion-a-long-read-qa-with-stephen-davies/>

C. The Role of Government

(i) Government Action

Smith, Adam, *The Wealth of Nations*, New York: The Modern Library, 1937 (1776), Book IV, Ch. XI, “Of the Agricultural Systems . . .,” pgs. 650-652.

Friedman, Milton, *Capitalism and Freedom*, Chicago: The University of Chicago Press, 1962, Ch. II, “The Role of Government in a Free Society,” pgs. 22-36.

Gwartney, James, et. al., “Difficult Cases for the Market and the Role of Government,” Ch. 5 in *Economics: Private and Public Choice*, 14th edition, 2013.

Svorny, Shirley, “Medical Licensing: An Obstacle to Affordable, Quality Care,” Cato Institute Policy Analysis Paper No. 621, September 17, 2008, pgs. 8-11.

(ii) *The Legal System*

Yandle, Bruce, *Common Sense and Common Law for the Environment*, New York: Rowan & Littlefield, 1997, Ch. 4, “Common Law Protection of Environmental Rights,” pgs. 87-118.

D. Why Limit Government? And How?

Gwartney, James and Wagner, Richard, “The Public Choice Revolution,” *The Intercollegiate Review*, Spring 1988.

Gwartney, James, et. al., “The Economics of Collective Decision Making,” Ch. 6 in *Economics: Private and Public Choice*, 14th edition, 2013.

Epstein, Richard, “Self Interest and the Constitution,” *Journal of Legal Education*, 37(2), June 1987.

III. Some Alternative Views on Social Economic Organization

A. The Social Contract: Contrasting Views

Locke, John, “Of Property and Government”, sections from *Second Treatise of Government*, 1690, reprinted in Boaz, David (ed.), *The Libertarian Reader*, New York: The Free Press, 1997.

Rousseau, Jean Jacques, sections from *On the Social Contract*, 1762, reprinted in Cohen, Carl (ed.), *Communism, Fascism, and Democracy*, 2nd Edition, New York: Random House, 1972.

B. Socialism, Communism, and Fascism

Owen, Robert, “An Address from the Association of All Classes of All Nations to the Governments and People of All Nations,” 1837, reprinted in Cohen, Carl (ed.), *Communism, Fascism, and Democracy*, 2nd Edition, New York: Random House, 1972.

Magee, Bryan, “Marx: History Tries to Become a Science,” *The Story of Philosophy*, New York: Dorling Kindersley, 2001.

Marx, Karl and Engels, Friedrich, sections from *The Manifesto of the Communist Party*, 1848, reprinted in Cohen, Carl (ed.), *Communism, Fascism, and Democracy*, 2nd Edition, New York: Random House, 1972.

Gregory, Paul and Stuart, Robert, *The Global Economy and Its Economic Systems*, Ch. 7, “Theory of Planned Socialism,” p. 164-178.

White, Lawrence H., *The Clash of Economic Ideas*, Ch. 7, “Postwar British Socialism and the Fabian Society,” pp. 175-179, 186-191.

Mussolini, Benito, selected writings, Ch. 28, “Fascism: Doctrine and Institutions,” from Love, Nancy (ed.), *Dogmas and Dreams: A Reader in Modern Political Ideologies*, New York: Chatham House, 1998.

Richman, Sheldon, “Fascism,” *The Concise Encyclopedia of Economics*,
<http://www.econlib.org/library/Enc/Fascism.html>.

IV. Institutional and Keynesian Views In and Around the Great Depression

White, Lawrence H., *The Clash of Economic Ideas*, Ch. 4, “The New Deal and Institutional Economics,” pp. 99-110, 120-125; and Ch. 5, “The Great Depression and Keynes General Theory,” pp. 126-132.

Tugwell, Rexford, *The Battle for Democracy*, New York: Columbia University Press, 1935, Ch. I, “Design for Government” and Ch. II, “The Senior Partner.”

Wikipedia, National Industrial Recovery Act of 1933,
https://en.wikipedia.org/wiki/National_Industrial_Recovery_Act_of_1933.

Gwartney, James; Stroup, Richard; Sobel, Russell; and Macpherson, David, *Economics: Private and Public Choice*, South-Western Cengage, 13th edition, special topic 6, “Lessons from the Great Depression.”

Roberts, Russ, “Why Friedrich Hayek Is Making a Comeback,” *Wall Street Journal*, June 28, 2010.

V. “Socialism Lite” and Social Democracy

A. Mixed Socialism

Gregory, Paul and Stuart, Robert, *The Global Economy and Its Economic Systems*, Ch. 8, “Theory and Practice of Market Socialism,” p. 188-191, 198-202.

Bloomberg, “A Timeline of Venezuela’s Economic Rise and Fall,”
<https://www.bloomberg.com/graphics/2019-venezuela-key-events/>, p. 6-23.

Gregory, Paul and Stuart, Robert, *The Global Economy and Its Economic Systems*, Ch. 15, “China: Party Dictatorship, Markets, and Socialism,” p. 441-453.

B. The Emergence of “Social Democracy”

Encyclopedia Britannica, “Social Democracy,” <https://www.britannica.com/topic/social-democracy>.

Sunstein, Cass, “Obama, FDR, and the Second Bill of Rights,” Bloomberg Online, Jan. 28, 2013.

Wikipedia, “Negative and positive rights,”
https://en.wikipedia.org/wiki/Negative_and_positive_rights.

Rojas, Mauricio, *Sweden after the Swedish Model*, TIMBRO, 2005, pp. 4-5, 45-56 , 79-84 (the entire report is at <https://timbro.se/app/uploads/2017/02/9175665891.pdf>).

VI. Morality, Charity, and Justice: What Can Economics Say?

Lacewing, Michael, “Rawls and Nozick on Justice,” <http://documents.routledge-interactive.s3.amazonaws.com/9781138793934/A2/Political/JusticeRawlsNozick.pdf>.

Heyne, Paul, *Are Economists Basically Immoral?*, Indianapolis, Indiana: Liberty Fund, 2008, Ch. 9, “The Concept of Economic Justice in Religious Discussion,” pgs. 151-170.

Clark, J.R. and Lee, Dwight, “Substituting Markets for Morality,” *Cato Journal*, Winter 2011.

Garen, John, “On Fairness and Needs in a Free Enterprise Economy,” *Journal of Applied Economics & Policy*, 29(1), Spring 2010, pgs. 61-78.

VII. Some Aspects of Income Redistribution and Poverty Programs

Harrington, Michael, *The Other America: Poverty in the United States*, New York: Macmillan, 1962, Ch. 9, “The Two Nations.”

Gwartney, James; Stroup, R.; Sobel, R.; and Macpherson, D., *Economics: Private and Public Choice*, South-Western Cengage, 12th edition, from Ch. 15, “Income Inequality and Poverty.”

VIII. Other Modern Discussions

A. “Behaviorial” Economics and Paternalism

Richard H. Thaler and Cass R. Sunstein, “Libertarian Paternalism,” *American Economic Review*, Vol. 93, No. 2, May 2003.

Edward Glaeser, “Paternalism and Psychology,” *Regulation*, summer 2006, <http://object.cato.org/sites/cato.org/files/serials/files/regulation/2006/7/v29n1-6.pdf>

B. Aspects of “Corporate Social Responsibility”

Jensen, Michael and Fama, Eugene, “Agency Problems and Residual Claims,” in Jensen, Michael, *Foundations of Organizational Strategy*, Harvard University Press, 1998, Ch. 6, p. 153-157.

Barton, Dominic, “Capitalism for the Long Term,” *Harvard Business Review*, March 2011.

Friedman, Milton, “The Social Responsibility of Business is to Increase its Profits,” *The New York Times Magazine*, September 12, 1970.

“Social Saints, Fiscal Fiends,” *The Economist*, January 2, 2016.

Coors, Andrew and Winegarden, “Corporate Social Responsibility – Or Good Advertising?,” *Regulation*, Spring 2005.

Yandle, Bruce, “Bootleggers and Baptists in Retrospect,” *Regulation*, v. 22, no. 3, 1999.

Planned Schedule: Below is the planned schedule of topics and readings for the term. It is subject to change depending on events in class. Any changes will be announced.

Dates	Readings/Topics
1/16	Th: Course introduction and preliminaries
1/21 and 1/23	Tu: White, Introduction; Sowell, visions; Smith, moral sentiments Th: Godwin, justice; Hayek, instinct and reason
1/28 and 1/30	Tu: Smith, trade Th: Hayek, use of knowledge; Garen, property rights
2/4 and 2/6	Tu: Maddison, world economy; Rosenberg, intro.; Rosenberg, institutions; Pethokoukis, interview Th: Smith, govt.; Friedman, govt; Gwartney, govt.; Svorny, private info
2/11 and 2/13	Tu: Yandle, common law Th: Gwartney and Wagner, public choice
2/18 and 2/20	Tu: Gwartney, collective decision making Th: Epstein, Constitution
2/25 and 2/27	Tu: FIRST MIDTERM Th: Locke, John, property; Rousseau, social contract Owen, address
3/3 and 3/5	Tu: Magee, on Marx; Marx, manifesto Th: Gregory and Stuart, planned socialism
3/10 and 3/12	Tu: White, Fabians Th: Mussolini, fascism; Richman, fascism
3/16-3/20	Spring break; no class
3/24 and 3/26	Tu: White, Institutional and Keynesian economics; Tugwell, democracy Th: Wiki, NIRA; Gwartney, great depression
3/31 and 4/2	Tu: Gwartney (above cont'd.); Roberts, Why Hayek Th: SECOND MIDTERM
4/7 and 4/9	Tu: Gregory & Stuart, mkt. socialism; Bloomberg, Venezuela; Gregory & Stuart, China Th Ency. Brit, social democracy; Sunstein, 2 nd bill of rights; Wiki, negative and positive rights; Rojas, Sweden
4/14 and 4/16	Tu: Laceywing, Rawls & Nozick; Heyne, justice Th: Clark and Lee, morality; Garen, fairness
4/21 and 4/23	Tu: Harrington, other America; Gwartney, poverty Th: Thaler and Sunstein, Paternalism; Glaeser, Paternalism
4/28 and 4/30	Tu: Jensen, Agency prolems; Barton, long term; Friedman, responsibility of business Th: Economist, saints & fiends; Coors, advertising; Yandle, bootleggers
5/7	FINAL EXAM, THURSDAY, May 7, 3:30 pm, in class

Syllabus Appendix

More details of syllabus items are below and are the official UK regulations from <https://www.uky.edu/universitysenate/course-syllabi>.

Midterm Grades for Undergraduate Students (Senate Rules 6.1.3.1)

Mid-term grades will be posted in myUK by the deadline established in the [Academic Calendar](#).

Excused Absences (Senate Rules 5.2.4.2)

Senate Rules 5.2.4.2 defines the following as acceptable reasons for excused absences: (a) significant illness, (b) death of a family member, (c) trips for members of student organizations sponsored by an educational unit, trips for University classes, and trips for participation in intercollegiate athletic events, (d) major religious holidays, (e) interviews for graduate/professional school or full-time employment post-graduation, and (f) other circumstances found to fit “reasonable cause for nonattendance” by the instructor of record. Students should notify the professor of absences prior to class when possible.

If a course syllabus requires specific interactions (e.g., with the instructor or other students), in situations where a student’s total EXCUSED absences exceed 1/5 (or 20%) of the required interactions for the course, the student shall have the right to request and receive a “W,” or the Instructor of Record may award an “I” for the course if the student declines a “W.” (Senate Rules 5.2.4.2.1)

(If an attendance/interaction policy is not stated in the course syllabus or the policy does not include a penalty to the student, the Instructor cannot penalize the student for any unexcused absences.)

Verification of Absences (Senate Rules 5.2.4.2.1 - 6)

Students may be asked to verify their absences in order for them to be considered excused. *Senate Rule 5.2.4.2* states that faculty have the right to request appropriate verification when students claim an excused absence due to: significant illness; death in the household, trips for classes, trips sponsored by an educational unit and trips for participation related to intercollegiate athletic events; and interviews for full-time job opportunities after graduation and interviews for graduate and professional school. (Appropriate notification of absences due to University-related trips is required prior to the absence when feasible and in no case more than one week after the absence.)

Religious Observances (Senate Rules 5.2.4.2.4)

Students anticipating an absence for a major religious holiday are responsible for notifying the instructor in writing of anticipated absences due to their observance of such holidays. Please check the course syllabus for the notification requirement. If no requirement is specified, two weeks prior to the absence is reasonable and should not be given any later. Information regarding major religious holidays may be obtained through [the Ombud’s website](#) or calling 859-257-3737.

Make-Up Work (Senate Rule 5.2.4.2)

Students missing any graded work due to an excused absence are responsible: for informing the Instructor of Record about their excused absence within one week following the period of the excused absence (except where prior notification is required); and for making up the missed work. The instructor must give the student an opportunity to make up the work and/or the exams missed due to the excused absence, and shall do so, if feasible, during the semester in which the absence occurred. The instructor shall provide the student with an opportunity to make up the graded work and may not simply calculate the student's grade on the basis of the other course requirements, unless the student agrees in writing.

Accommodations Due to Disability

If you have a documented disability that requires academic accommodations, please see me as soon as possible during scheduled office hours. In order to receive accommodations in this course, you must provide me with a Letter of Accommodation from the Disability Resource Center (DRC). The DRC coordinates campus disability services available to students with disabilities. Visit the [DRC website](#), [email the DRC](#), contact them by phone at (859) 257-2754, or visit their office on the corner of Rose Street and Huguelet Drive in the Multidisciplinary Science Building, Suite 407.

Non-Discrimination Statement and Title IX Information

UK is committed to providing a safe learning, living, and working environment for all members of the University community. The University maintains a comprehensive program which protects all members from discrimination, harassment, and sexual misconduct. For complete information about UK's prohibition on discrimination and harassment on aspects such as race, color, ethnic origin, national origin, creed, religion, political belief, sex, and sexual orientation, please see [the electronic version of UK's Administrative Regulation 6:1 \("Policy on Discrimination and Harassment"\)](#). In accordance with Title IX of the Education Amendments of 1972, the University prohibits discrimination and harassment on the basis of sex in academics, employment, and all of its programs and activities. Sexual misconduct is a form of sexual harassment in which one act is severe enough to create a hostile environment based on sex and is prohibited between members of the University community and shall not be tolerated. For more details, please see [the electronic version of Administrative Regulations 6:2 \("Policy and Procedures for Addressing and Resolving Allegations of Sexual Assault, Stalking, Dating Violence, Domestic Violence, and Sexual Exploitation"\)](#). Complaints regarding violations of University policies on discrimination, harassment, and sexual misconduct are handled by the Office of Institutional Equity and Equal Opportunity (IEEO), which is located in 13 Main Building and can be reached by phone at (859) 257-8927. You can also visit [the IEEO's website](#).

Faculty members are obligated to forward any report made by a student related to IEEO matters to the Office of Institutional Equity and Equal Opportunity. Students can *confidentially* report alleged incidences through the Violence Intervention and Prevention Center, Counseling Center, or University Health Services.

Academic Integrity– Prohibition on Plagiarism (Senate Rules 6.3.1)

Per University policy, students shall not plagiarize, cheat, or falsify or misuse academic records. Students are expected to adhere to University policy on cheating and plagiarism in all courses. The minimum penalty for a first offense is a zero on the assignment on which the offense occurred. If the offense is considered severe or the student has other academic offenses on their record, more serious penalties, up to suspension from the University may be imposed.

Plagiarism and cheating are serious breaches of academic conduct. Each student is advised to become familiar with the various forms of academic dishonesty as explained in the [Code of Student Rights and Responsibilities](#). Complete information can be found on the [Academic Ombud](#) page. A plea of ignorance is not acceptable as a defense against the charge of academic dishonesty. It is important that you review this information as all ideas borrowed from others need to be properly credited.

Senate Rule 6.3.1 (see current [Senate Rules](#)) states that all academic work, written or otherwise, submitted by students to their instructors or other academic supervisors, is expected to be the result of their own thought, research, or self-expression. In cases where students feel unsure about a question of plagiarism involving their work, they are obliged to consult their instructors on the matter before submission.

When students submit work purporting to be their own, but which in any way borrows ideas, organization, wording, or content from another source without appropriate acknowledgment of the fact, the students are guilty of plagiarism.

Plagiarism includes reproducing someone else's work (including, but not limited to a published article, a book, a website, computer code, or a paper from a friend) without clear attribution. Plagiarism also includes the practice of employing or allowing another person to alter or revise the work which a student submits as his/her own, whoever that other person may be, except under specific circumstances (e.g. Writing Center review or peer review) allowed by the Instructor of Record or that person's designee. Plagiarism may also include double submission, self-plagiarism, or unauthorized resubmission of one's own work, as defined by the instructor.

Students may discuss assignments among themselves or with an instructor or tutor, except where prohibited by the Instructor of Record (e.g. individual take-home exams). However, the actual work must be done by the student, and the student alone, unless collaboration is allowed by the Instructor of Record (e.g. group projects).

When a student's assignment involves research in outside sources or information, the student must carefully acknowledge exactly what, where and how he/she has employed them. If the words of someone else are used, the student must put quotation marks around the passage in question and add an appropriate indication of its origin. Making simple changes while leaving the organization, content, and phraseology intact is plagiaristic. However, nothing in these Rules shall apply to those ideas, which are so generally and freely circulated as to be a part of the public domain.

Please note: Any assignment you turn in may be submitted to an electronic database to check for plagiarism.

Academic Integrity – Prohibition on Cheating (Senate Rules 6.3.2)

Cheating is defined by its general usage. It includes, but is not limited to, the wrongfully giving, taking, or presenting any information or material by a student with the intent of aiding himself/herself or another on any academic work which is considered in any way in the determination of the final grade. The fact that a student could not have benefited from an action is not by itself proof that the action does not constitute cheating. Any question of definition shall be referred to the University Appeals Board.

Academic Integrity – Prohibition on Falsification/Misuse of Academic Records (SR 6.3.3)

Maintaining the integrity, accuracy, and appropriate privacy of student academic records is an essential administrative function of the University and a basic protection of all students. Accordingly, the actual or attempted falsification, theft, misrepresentation or other alteration or misuse of any official academic record of the University, specifically including knowingly having unauthorized access to such records or the unauthorized disclosure of information contained in such records, is a serious academic offense. As used in this context, "academic record" includes all paper and electronic versions of the partial or complete permanent academic record, all official and unofficial academic transcripts, application documents and admission credentials, and all academic record transaction documents. The minimum sanction for falsification, including the omission of information, or attempted falsification or other misuse of academic records as described in this section is suspension for one semester.