

Course Outline

EE401 POLITICAL ECONOMY

Semester: 2/2013 (13 January 2014 – 3 May 2014)
Instructor: Dr. Pichit Likitkijksomboon
Room 461 Faculty of Economics
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Venue: Room 203, Economics Faculty Building
Time: Wednesday and Friday 14:00 – 15:30 hrs

I. Course Description

Study classical political economy of Adam Smith on the economic impact of self-interest, competition and market efficiency. Study Malthus's population theory and its economic implications.

Study Karl Marx's political economy on the exploitation of surplus value, capital accumulation, the reserve army of the unemployed, the impoverishment of the working class, the falling long-term profit rate tendency and the economic crisis. Also study Marxian development in the 20th century and the dependency theory.

The Austrian economic analysis of the market process. Introduction to the new political economy and its analysis of market failures and government failures; monopoly and rent-seeking and political economy of globalization.

II. Evaluation

Reading assignments	10 points
One short essay	30 points
Final examination	60 points

Tuesday 20 May 2014 at 9:00-12:00 hrs.

III. Course Readings

There is no single textbook to cover all material in this course.

- Acemoglu, D. and J.A. Robinson. 2012. *Why Nations Fail*. London: Profile Books Ltd.
- Brewer, A. 1995. *Marxist Theories of Imperialism*. 2nd edn., New York: Routledge & Kegan Paul.
- De Soto, Hernando. 2003. *The Mystery of Capital: Why Capitalism Triumphs in the West and Fails Everywhere Else*. Basic Books.
- Diamond, J. 2011. *Collapse: How Societies Choose to Fail or Succeed*. London: Penguin Books.
- Heilbroner, R.L. and William Milberg. 2011. *The Making of Economic Society*. 13th edn., Prentice Hall.
- Heinrich, M. and A. Locascio. 2012. *An Introduction to the Three Volumes of Karl Marx's Capital*. London: Monthly Review Press.

- Mitchell, W.C. and R.T. Simmons. 1994. *Beyond Politics: Market, Welfare, and the Failure of Bureaucracy*. Boulder, Co: Westview Press.
- O'Rourke, P.J. 2007. *On the Wealth of Nations*. London: Atlantic Books.
- Stevens, J. B. 1993. *The Economics of Collective Choice*. Boulder, Co: Westview Press.
- Wolf, M. 2004. *Why Globalization Works*. New Haven: Yale University Press.
- Yergin, D. and J. Stanislaw, 2002. *The Commanding Heights: the Battle for the World Economy*. New York: Simon & Schuster.

IV. Lecture Outlines

1. Introduction to political economy
 - a. What is political economy?
 - b. The characteristics of capitalism
 - c. The main questions of political economy

2. Political economy before Adam Smith
 - a. Mercantilism
 - b. The Physiocrats
Reading: Heibroner and Milberg, 2011.

3. Political economy of free-market capitalism: Adam Smith
 - a. Theory of moral sentiments
 - b. Self interest and the division of labor
 - c. Theory of economic growth
 - d. Theory of value and price
 - e. Competition and the invisible hand
 - f. Public policies
Reading: O'Rourke, 2007.

4. Capitalism and resource constraints
 - a. The Malthusian theory of population
 - b. Neo-Malthusianism and modern environmentalism
Reading: Diamond, 2011.

5. Political economy of Karl Marx and Socialism
 - a. The materialist conception of history
 - b. Theory of surplus value and capital accumulation
 - c. The reserve army of the unemployed
 - d. The tendency of the average profit rate to fall
 - e. The failure of socialism as an economic system
Reading: Heinrich, M. and A. Locascio. 2012.

6. Political economy of underdevelopment
 - a. Finance Capital by Rudolf Hilferding
 - b. Imperialism by Lenin and Bukharin
 - c. Monopoly capital by the neo-Marxists
 - d. The dependency theory and the world system.
Reading: Brewer 1995.

7. Post-war experience of government intervention
 - a. Mixed economy in Europe
 - b. Regulatory capitalism in the US.
 - c. Socialism and import substitution in the Third World
 - d. The crisis of the 1970s and 1980s.
Reading: Yergin and Stanislaw, Ch. 1-3, 5.

8. The New Political Economy: government failure
 - a. The assumptions of welfare economics
 - b. Potential Pareto improvement or Kaldor-Hicks Efficiency
 - c. Failure of market and government intervention
 - d. Nature and causes of government failure
Read: Stevens, Ch.2-3.
Mitchell and Simmons, Ch. 3, 4.

9. The New Political Economy: monopoly and rent-seeking
 - a. Monopoly and causes
 - b. Intervention and monopoly by the state
 - c. Rent-seeking behavior and the capture model
 - d. Trade protectionism and the infant industry
Reading: Mitchell and Simmons, Ch. 6, 8.

10. Globalization, democracy and sustained economic growth
 - a. The second age of globalization
 - b. Property rights and economic institutions
 - c. Political institutions and economic growth
 - d. The Washington consensus and anti-globalization reactions
 - e. The Thai economy at a crossroad.
Reading: Yergin and Stanislaw, Ch. 13.
Wolf, Ch. 3-6.
Acemoglu and Robinson. 2012.
De Soto, 2003.