

PS 383 AQ 2001

Political Economy for Post-moderns:

Metaphors and Narratives of the Economy and of Post-communist
Market "Reform" in Eastern Europe, China, and India

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Tuesday and Thursday

9:00-10:20

Pick 506

Office Hours

Pick 422,

T, Th 10:30-12

The Point of View

Political economy has a career; after its invention in the eighteenth century it kept changing. The intellectual history of its theory and practice reveals contestation more than certainty. We will try to capture changing discourse about political economy by "reading" paradigms [theoretical schools] in pre-modern, modern and postmodern settings. Environmental and global processes for example make economies defined and bounded by territorially sovereign nation state's increasingly obsolescent.

In the post-cold war era, many erstwhile "third world" and ex-communist countries have attempted to negotiate "transitions" to "democracy" and to "market economies" even as post-industrial societies have become more concerned with the quality of life and with the politics of meaning and identity than with material welfare and economic security.

The 1997 "Asian financial crisis," [first Thailand, then the Philippines, South Korea, Indonesia and Malaysia, compounded by default in Russia, depression and bank failure in Japan, a Brazil on the brink and the need to bailout a \$100 billion US hedge fund [Long Term Capital Management] led by Wizard-of-Oz like John Meriwether and Nobel Laureates David Mullins and Myron Scholes, have reopened questions about the need for transparency and accountability in credit relationships, the regulation of capital markets and, more broadly, the limits of reliance on unregulated markets and exclusively market solutions. The sinister face of globalization evident in the terrorist destruction on September 11, 2002 of the figurative and literal heart of world capitalism, the twin towers of the World Trade Center dramatically illustrates the intimate relationship between political and economic life. So too does the US government bail-out of an already ailing airline industry, a good example of concepts to be addressed in the course, soft budget constraint and moral hazard. Such recent development underline the importance of rethinking political economy through an examination of its rhetoric and conceptual history. What are its lineages? Who are its eponyms [e.g. Marx/Marxian; Keynes/Keynesian; Adam Smith did not leave a doctrine with his name on it - although "liberalism" owes a great deal to him.] When, why and how did political economy's various conceptual manifestations such as "interest" and "the market" begin their careers? How have changing historical conditions, world views, ways of knowing shaped

practice and explanation?

A recent book by two icons of the Chicago school economics, Gary Becker and Kevin Murphy, **Social Economics; Market Behavior in a Social Environment**, [Cambridge, MA: The Belknap Press of Harvard University Press, 2000], illustrates how political economy paradigms continue to evolve. Becker and Murphy put it this way in an opening chapter on "The Importance of Social Interactions" [pp. 3-7]: "Modern economics, whether in textbooks or in the most advanced journal articles, typically assumes that individual behavior is not *directly* influenced by the actions of others....Anthropologists and sociologists have repeatedly told economists about the importance culture, norms, and social structure....We were surprised to discover, upon rereading Thorstein Veblen's **Theory of the Leisure Class** [1934], that he anticipated many of our results....Veblen argues that social interactions are extremely important in modern economics; he particularly emphasizes behavior that conveys signals about one's wealth, that is, "conspicuous consumption," to use his famous phrase....We are [also] indebted to a considerable literature by economists and sociologists on the relation between social interaction and individual choices....for example the term 'social capital'...."

COURSE OUTLINE and READING ASSIGNMENTS

- I. Rhetoric of Economic Discourse
- II. Premodern to Modern Political Economy
- III. Modern to Postmodern Political Economy
- IV. Environmentalism and Globalism as Postmodern Political Economy
- V. Metaphors and Narratives of "Reform" in India, Eastern Europe and China.

Topics and Reading Assignments

Books marked with an asterisk = * should be in the Seminary Cooperative Bookstore. Assignments marked with a pound sign = # should be in the course packet available at Duplication Services, Division of the Social Sciences. Assigned and recommended texts should be in Regenstein Reserve under PS 383, author or title, or Lloyd Rudolph.

- I. Rhetoric of Economic Discourse
 - 1. Tuesday, September 25

Introducing the course: what, why, how.

To get up to speed - or to refresh your memory - early on in the course read Robert Heilbroner, **The Worldly Philosophers; the lives, times and ideas of the great economic thinkers**, New York, Touchstone/Simon and Shuster, 1993, seventh edition. Heilbroner

artfully combines biography with the intellectual history of political economy.

Read selectively but widely in Frank Ackerman et al eds., **Human Well-Being and Economic Goals**, Washington, D.C., Island Press, 1997. This book provides a convenient overview of economic concepts including selections from historical and contemporary voices, e.g. Schumpeter, Sen, Arrow. For more extended in-depth accounts of the meaning of concepts in political economy see the several volumes in *The New Palgrave* published by W.W. Norton such as **Social Economics** and **The Invisible Hand**. "Each volume in this series," the blurb claims, "includes a collection of authoritative essays from **The New Palgrave: A Dictionary of Economics**, selected by the Editors to illustrate the range and diversity of economic thought on a particular topic."

Also helpful is James A. Caporaso's and David P. Levine's overview, **Theories of Political Economy**, Cambridge, UK, Cambridge University Press, 1992, 1994.

You may want to consult the "ur" account, Joseph A. Schumpeter, **History of Economic Analysis**, with a new introduction by Mark Perlman, New York, Oxford University Press, 1954, 1986, 1994.

Some of you may want to be familiar with books used in earlier "positivist" versions of the course. They include Joseph A. Schumpeter, **Capitalism, Socialism and Democracy** [various editions]; Robert Dahl and Charles E. Lindblom, **Politics, Economics and Welfare; Planning and Politico-Economic Systems Resolved into Basic Social Processes**, New York, Harper and Row, 1952, Harper Torchbooks, 1963; Charles E. Lindblom, **Politics and Markets; The World's Political-Economic Systems**, New York, Basic Books, 1977; and Andrew Shonfield, **Modern Capitalism; The Changing Balance of Public and Private Power**, New York, Oxford University Press, 1965.

2. Thursday, September 27

*Deidre McCloskey, **If you're so smart; the narrative of economic expertise**, Chicago, University of Chicago Press, 1990. Paperback edition, 1992. Introduction, Chaps 1, 2, 4, and 5. Pp.9-39; 56-82.

3. Tuesday, October 2

McCloskey, **If you're so smart**
Chaps 6, 10, 11. Pp. 83-96; 135-162.

II. Premodern to Modern Political Economy

4. Thursday, October 4

*Karl Polanyi, **The great transformation; the political and**

economic origins of our time, Boston, Beacon Press, 1944, 1957, 2001. Foreward by Joseph E. Stiglitz, Introduction by Fred Block. These essays by prominent institutional economists to a re-issue of Polanyi's seminal work mark its new found centrality and provide excellent guides to why it seems to have become part of the cannon.

Part Two. Rise and Fall of the Market Economy. Chaps 3-6 [in part] and 10-13. Pp. 35-47 [skip from last line on p. 47 to first full para on p. 55] 55-80; 116-170.

5. Tuesday, October 9

Polanyi, **Great Transformation**, Part Two [cont.] Chaps 14-18; Part Three. Transformation in Progress. Ch. 20. Pp. 171-219; 245-256.

6. Thursday, October 11

*Albert O. Hirschman, **The passions and the interests; political arguments for capitalism before its triumph**, Princeton, NJ, Princeton University Press, 1977. Introduction. Part One. How the interests were called upon to counteract the passions [in part]; Part Two. How economic expansion was expected to improve the political order [in part]; Part Three. Reflections on an episode in intellectual history. Pp. 3-56; 69-81; 93-96; 100-13; 117-28.

7. Tuesday, October 16

-Albert O. Hirschman, "Rival Interpretations of Market Society," **The Journal of Economic Literature**, Vol. XX, No.4 [December 1982]. [photocopy] The essay also appears in ***Rival Views of Market Society and Other Essays**, Cambridge, MA, Harvard University Press, 1992. pp. 105-139.

Recommended:

-James A. Swaney, "Rival and Missing Interpretations of Market Society: A Comment on Hirschman," **The Journal of Economic Literature**, Vol. XXI, No. 4 [December 1983]. Pp. 1489-1493.

-Patricia H. Werhane, **Adam Smith and His Legacy for Modern Captialism**, New York, Oxford University Press, 1991. Introduction. Chap 3. Self-Interest, the Social Passions, and the Invisible Hand in the **Wealth of Nations**. Pp. 3-21; 87-111.

-Donald Winch, "Adam Smith: Scottish Moral Philosopher as Political Economist", **The Historical Journal**, 35, 1 [1992]. pp. 91-113.

-Fonna Forman Dubin, Book Review of Charles L. Griswold,

Jr., **Adam Smith and the Virtues of the Enlightenment**, Cambridge, UK: Cambridge University Press, 1999. 426pp. in **Political Theory**, Vol 28, No 1, February 2000. pp 122-30.
-For a current reading of the character of "market society" in an era of "globalization" see *William Greider, **One World, Ready or Not; The Manic Logic of Global Capitalism**, New York, Touchstone/Simon & Shuster, 1997.
George Soros, **The Crisis of Global Capitalism**, [New York: Public Affairs, 1998].

III. Modern to Postmodern Political Economy

8. Thursday, October 18

Amartya Sen, # "Rational fools; a critique of the behavioral foundations of economic theory," **Philosophy and Public Affairs**, Vol. 6, no. 4 [1977], Pp. 317-44. Republished in **Choice, Welfare and Measurement**, Delhi, Oxford University Press, and Cambridge, MA., MIT Press, 1983.

SUGGESTED

#Adam Przeworski and Michael Wallerstein, "Democratic capitalism at the crossroads," **Democracy**, 2 [1982], pp. 52-68. Republished in Adam Przeworski, **Capitalism and Social Democracy**, Cambridge, UK. Cambridge University Press, 1985, 1986.

9. Tuesday, October 23

*Ronald Ingelhart, **Modernization and Postmodernization; Cultural, Economic and Political Change in 43 Societies**, Princeton, NJ, Princeton University Press, 1997. Ch 1. Value Systems: The Subjective Aspect of Politics and Economics, and Ch 11 [in part]. Trajectories of Social Change. pp. 7-50; 337-41.

10. Thursday, October 25

*David Harvey, **The Conditions of Postmodernity**, Cambridge, MA., Blackwell, 1989, 1990. ISBN 0-631-16294-1 [pbk]
The argument; Preface; Part I. The passage from modernity to postmodernity in contemporary culture. 1. Introduction; 2. Modernity and modernism; 3. Postmodernism. Pp. viii-ix; 1-65

11. Tuesday, October 30

Harvey, **Postmodernity**

Part II. The political-economic transformation of late twentieth century capitalism. 7. Introduction; 8. Fordism;

9. From Fordism to flexible accumulation; Part IV. The condition of postmodernity. 19. Postmodernity as a historical condition; 20. Economics with mirrors; 21. Postmodernism as the mirror of mirrors; 22. Fordist modernism versus flexible postmodernism, or the interpenetration of opposites tendencies in capitalism as a whole; 23. The transformative and speculative logic of capital. pp. 121-172; 325-345. SUGGESTED. Chs. 24. The work of art in age of electronic reproduction and image banks; 25. Responses to time-space compression; 26. The crisis of historical materialism; 27. Cracks in the mirrors, fusions at the edges. pp. 346-359.

12. Thursday, November 1

A framing for the Etzioni "moral dimension" [something like what Becker and Murphy call "social interactions"] reading below can be found in Richard Swedberg, "The New 'Battle of Methods'", **Challenge**, January-February 1990, pp. 33-38. A more detailed version of Swedberg's case can be found in Joseph Schumpeter, **The Economics and Sociology of Capitalism**, Princeton, NJ, Princeton University Press, 1991, edited by Richard Swedberg, particularly Chapter Five, "Recent Developments in Political Economy". Also helpful are Amartya Sen's **On Ethics and Economics and Development as Freedom**, [New York: Anchor Books, 2000], R. H. Coase, **Essays on Economics and Economists**, [Chicago: University of Chicago Press, 1994], and Deidre N. McCloskey, **Knowledge and Persuasion in Economics**, [Cambridge, UK: Cambridge University Press, 1994, 2000].

*Amatai Etzioni, **The Moral Dimension; Toward a New a New Economics**, New York, The Free Press/Macmillan, 1988. Preface; Ch. 1. The New Paradigm: Underlying Themes ; Part I: Beyond Pleasure: The Case for Deontological Social Sciences. Chapters 2-5. pp. ix-xiii; 1-87.

13. Tuesday, November 6

Etzioni, **The Moral Dimension**. Part II. Beyond Rationalism: The Role of Values and Emotions. Chapters 6, 8, 9; Part III. Beyond Radical Individualism: The Role of Community and Power. Chapters 11-12. Pp. 89-113; 136-165; 181-216.

IV. Environmentalism and Globalism as Postmodern Political Economy

14. Thursday, November 8

-Ronald J. Herring, "Resurrecting the Commons; Collective Action and Ecology", **Items**, Vol 44, No 4 [December 1990] [photocopy]

*Michael E. Zimmerman, **Contesting Earth's Future; Radical Ecology and Postmodernity**, Berkeley, University of California Press, 1994. Introduction; Ch. 2. Deep Ecology and Counterculturalism; Ch. 4. Social Ecology and Its Critique of Deep Ecology. pp. 1-17; 57-90; 150-183.

SUGGESTED: A fuller statement of the Herring position can be found in Ronald Herring, "Politics of Nature: Interests, Commons Dilemmas and the State," Paper presented to the conference on "Common Property, Collective Action and Ecology," Indian Institute of Science, Bangalore, India, August 1991. pp. 1-39. [on reserve]

15. Tuesday, November 13

*Thomas Friedman, **The Lexus and the Olive Tree; Understanding Globalization**, [New York: Anchor Books, 2000] Chapters 1 -4, pp. 3 - 72; ch 5 in part, 73-85; ch 6, pp. 101-11; ch 7 in part, pp. 145-55; ch. 9, pp. 167-93.

V. Metaphors and Narratives of Economic Reform and Political Transition in Eastern Europe, India and China

16. Thursday, November 15 [Theorizing breakdown and reform]

-# Janos Kornai, "The Soft Budget Constraint", **Kylos**, Vol. 39, 1986, Facs. 1, republished as Ch. 2. of **Vision and Reality, Market and State, Contradictions and Dilemmas Revisited**, New York, Routledge, 1990. pp. 20-46.

-# Vedat Milor, "Changing Political Economies; An Introduction", in Vedat Milor, ed., **Changing Political Economies; Privatization in Post-Communist and Reforming Communist States**, Boulder & London, Lynne Rienner Publishers, 1994. pp. 1-23.

-Zhiyuan Cui, "Can Privatization Solve the Problem of Soft Budget Constraint?" in Milor, **Changing Political Economies**, pp. 213-227.

17. Tuesday, November 20 [Eastern Europe]

-Kazimierz Z. Poznanski, **Constructing Capitalism; The Re-emergence of Civil Society and Liberal Economy in the Post-Communist World**, Boulder, CO., Westview Press, 1992. Poznanski, Introduction; Ch.1. Lezek Kolakowski, "Mind and Body: Ideology and Economy in the Collapse of Communism";

Poznanski, " Epilogue: Markets and States in the Transformation of Post-Communist Europe".pp. 1-23;199-219
David Woodruff, **Money Unmade**, [Ithaca and London: Cornell University Press, 2000]. Chapter 1. Introduction, pp. 1-20; ch 4. Money Unmade, 1993-94, in part, pp. 110-17, 143-45; ch 5. Monies Multiply, 1994-96, pp. 173-76; ch. 6. The Politics of Monetary Consolidation, 1996 - 1998, pp. 198- 202.

Suggested:

-Martin Malia, **The Soviet Tragedy; A History of Socialism in Russia, 1917-1991**, New York, NY: The Free Press, 1994. Ch 12. From *Perestroika* to Collapse; 1989-1991, Ch. 13. The Perverse Logic of Utopia. Pp. 445-520.

-Daniel Chirot, ed., **The Crisis of Leninism and the Decline of the Left; The Revolutions of 1989**, Seattle and London, University of Washington Press, 1991.

Daniel Chirot, "What Happened in Eastern Europe in 1989", [Reprinted in Jeffrey N. Wasserstrom and Elizabeth Perry, eds., **Popular Protest & Political Culture in Modern China; Learning from 1989**, Boulder, CO., Westview, 1992. pp. 3-32]

Russia's September 1998 debt default, devaluation, falling ruble and governmental inertia render most writing on its political economy obsolescent, not least *Anders Aslund, **How Russia Became a Market Economy**, Washington, D.C., The Brookings Institution, 1995. More currently helpful is Daniel Yergin and Joseph Stanislaw's journalistic **The Commanding Heights**, ch. 10. Ticket to the Market: The Journey After Communism, which compares Poland's and Russia's transition. pp. 262-295.

18. Thursday, November 22. Thanksgiving Day. A Holiday

19. Tuesday, November 27. [India]

*Lloyd I. Rudolph and Susanne Hoeber Rudolph, **In Pursuit of Lakshmi; The Political Economy of the Indian State**, [Chicago, University of Chicago Press, 1987]. Introduction; Ch. 1. "Centrist Politics, Class Politics, and the Indian State"; Ch. 7. Demand Polity and Command Polity; Conclusion. pp. 1-15; 211-19; 393-401.

*Rob Jenkins, **Economic Reform in India**, {Cambridge, UK: Cambridge University Press, 2000}. Ch 2. The Evolution of Economic Reform in India; Ch. 7. Implications, pp.12-39, 208-229.

SUGGESTED.

Government of India, Ministry of Finance, Economic Division, **Economic Survey 2000-2001**. This is an annual publication. So too is **The Report on Currency and Finance**, Reserve Bank of India. In the private sector, the data supplied on line and in hard copy by the Center for

Monitoring the Indian Economy [CMIE] is quite comprehensive, reliable and current.

Yergin and Stanislaw, **Commanding Heights**, ch. 8. After the Permit Raj: India's Awakening." pp. 214-229.

20. Thursday, November 29.

-Joseph Fewsmith, "The Dengist reforms in historical perspective", in Brantley Womack, ed., **Contemporary Chinese Politics in Historical Perspective**, Cambridge, UK., Cambridge University Press, 1991. Pp. 23-52
[photocopy]

-* Susumu Yabuki and Stephen M. Harner, **China's New Political Economy**. Revised Edition. [Boulder, CO: Westview Press, 1999]. Introduction, pp. 1-13; ch. 11. Income Disparity: Can Economic Growth Close the Gap?"; ch 12. Regional Disparity: Disparities Between East and West and Among the Coastal Provinces, pp. 83-101.

Suggested:

-Joseph Fewsmith, **Dilemmas of Reforming China; Political Conflict and Economic Debate**, Armonk, M.E. Sharpe, 1994, Introduction; Some Perspectives on the Chinese Political System; Conclusion: Reflections on Chinese Politics in the Era of Reform. pp.3-18; 241-251.

-Dali L. Yang, **Beyond Beijing; Liberalization and the Regions of China**, London and New York, Routledge, 1997.

-Nicholas R. Lardy, **China's Unfinished Economic Revolution**, Washington, D.C. Brookings Institution Press, 1998.

-Joint Economic Committee, Congress of the United States, ed., **China's Economic Future; Challenges to U.S. Policy**, Armonk, NY and London, M.E. Sharpe, 1997

-Daniel Yergin and Joseph Stanislaw, **The Commanding Heights; The Battle Between Government and the Marketplace That is Remaking the Modern World**, New York, Simon and Shuster, 1998. Ch. 7. The Color of the Cat: China's Transformation." pp. 192-213.

World Bank, **China 2020; Development Challenges in the New Century**, Washington, D.C., The World Bank, 1997.

Procedures and Requirements

I would like to conduct the class as much as possible as a discussion seminar. You should come to each class session with a written question or comment on some aspect of that day's assigned reading. I will ask as many of you as possible to share your question or comment with the class. Be prepared to present and explain your written question or comment. I will collect your text at the end of each class and from time to time return it to you with comments.

There will be a take-home final. You will be asked 1) to

write a ten [10] page double spaced essay on one question chosen from several and 2) in not more than one double spaced page to identify and state the significance of five [5] of ten or more terms taken from the assigned reading. The final will be handed out on Tuesday, November 27 and should be returned to Pick 422 on Tuesday, December 4 before 4 pm.

Seventy per cent of the grade will be based on the take-home final and thirty per cent on class papers and class participation.