The purpose of this course is to help you understand, predict, adapt to and shape the evolving system of political economy. If you don’t, others will—and not necessarily to your well-being.

The structure of the course is as follows. Part One examines the theoretical foundations of modern political economy laid by four grandmasters of the discipline—Adam Smith, Karl Marx, John Maynard Keynes, and Joseph Schumpeter, each of whom has been widely misunderstood or, worse yet, falsely interpreted by intellectual charlatans. Part One sets the record straight about each of them.

Part Two focuses on the evolution of American political economy in the post-WW II era, including the rise and decline of the state-centric era and the continuing debate between the followers of Keynes and our fifth grandmaster, Milton Friedman, over the relationship between state and market in American political economy.

Part Three is concerned with international political economy. The U.S. emerged from the Cold War era as the dominant world power and the architect of what has been called “the liberal international order,” but the distribution of international power is changing in the 21st century. These changing relationships and their implications for the world we live in are the central concerns of Part Three.

You’ll be evaluated on the basis of two closed-book examinations, one of 30 minutes after Part One (worth 1/6 of the final numeric grade) and one of 60 minutes after Part Two (worth 1/3), plus a final paper (worth 1/2). The final paper should not exceed 7.5 double-spaced pages, not counting tables and appendices, and is due on the last day of class. You should develop your paper topic after meeting with me during office hours, meetings our Teaching Assistant will coordinate. Student contributions to learning, in class and/or via Canvas, will determine final grades that otherwise fall on the numeric borderline between one grade and another. For more information on grading and my expectations about your performance and mine, consult my “Rules of the Game for MPE.”

Required and recommended readings are included in two readings books and are also available online via Canvas. In addition, you are encouraged to read one or more of the following publications on a regular basis: Wall Street Journal, New York Times, Financial Times or The Economist.

**CONNECTION WITH THE CORE:** The course draws on material from three core courses: Lead: People, Teams, Organizations (on the nature and importance of leadership); Global Economic Environment (on fiscal and monetary policy); and Corporate Finance (on the theory of efficient
PART ONE  THE FIRST FOUR GRANDMASTERS

1/27 & 1/29  Smith’s Alternative to Mercantilism


2/3 & 2/5  Marx’s Alternative to Capitalism


2/10 & 2/12  Keynes’s Alternative to Socialism


2/12 & 2/17  Schumpeter’s Prophecies

PART TWO  EVOLUTION OF AMERICAN POLITICAL ECONOMY

2/19  Mid-Term Examination (first 30 minutes of session)

Managerial Capitalism Stage One


2/24  Signal Events and the Rise of State-Centric Political Economy


2/26  Managerial Capitalism Stage Two


3/3  The Parallel Rise of Protectionist Politics


3/5  Protectionist Politics: Lessons of the New York City Fiscal Crisis


3/24  The Fifth Grandmaster, Friedman, and the Rise of Market-Centric Political Economy

**Required:** Milton Friedman, *Capitalism and Freedom* (Chicago: University of Chicago Press, 1962, 2nd ed. 1982), Chs. 1, 2, 4, 5 and 8. **Recommended:** Friedrich von Hayek, *The Road to Serfdom* (Chicago: University of Chicago Press, 1944), Chs. 2 –3; [https://www.youtube.com/watch?v=LucOUSpTB3Y](https://www.youtube.com/watch?v=LucOUSpTB3Y);

3/26

The Turnaround in the 1980s and the Halcyon 1990s


3/31

The Terrible 2000s


4/2

America’s Prospects


4/3

Review Class

4/7

Mid-Term Examination (60 minutes)

PART THREE INTERNATIONAL POLITICAL ECONOMY

4/9

International Relations in Theory


4/14

International Relations In Practice


4/16
The Redistribution of Global Power and the Future of the Liberal International Order


4/21 & 4/23
The View From Europe, Asia, and the Rest


4/28
Climate Change

Guest Lecturer: Radley Horton, Associate Research Scientist, Center for Climate Systems Research, Columbia University


4/30
Conclusion