

**AMERICAN POLITICAL ECONOMY (PLAP 3500)**  
THE UNIVERSITY OF VIRGINIA  
DEPARTMENT OF POLITICS  
Spring 2017

Instructor: Rita Koganzon  
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Office Hours: Mon. 12-1, Wed. 1-2, Gibson S163

Location: Gibson 142  
Time: MWF 11:00 – 11:50AM  
Guest Lectures: Jefferson Hall

### **I. Course Description**

This is a *political* economy course, focusing on the relationship between politics and economics. It concentrates on philosophical and theoretical questions, rather than formal economic mechanisms. The course begins by exploring the fundamental positions on political economy as found in the writings of Aristotle, Aquinas, Adam Smith, and Karl Marx, paying particular attention to arguments for or against a capitalist regime. It then turns to the development of the American economic system and its role in shaping the character of individuals and the meaning of citizenship. Readings are drawn from, among others, Franklin, Jefferson, Hamilton, Roosevelt, Hayek, and Friedman. The course will also look at the modern welfare state, and explore the way in which it has redefined the relationship between government and society.

### **II. Texts**

The class readings are compiled into a Course Reader, to be purchased at NK Print and Design on Elliewood (on the Corner, across from Take-It-Away). These readings will also be available electronically, via Collab, but I *strongly suggest* that you purchase a hard copy for organizational purposes.

### **III. Assignments and Grading**

1. Two separate 5-6 page papers (15% for the first, 20% for the second), due by 5:00PM on Friday, February 24 and Monday, May 1.
2. Midterm Exam (20%) on Friday, March 3.
3. Final Exam (30%) on Monday, May 8, 9:00am-12:00pm.
4. Class Participation (15%)

### **IV. Course Policies**

**Papers:** Students will receive paper assignments approximately two weeks before the due date. Papers shall be 5-6 typed (12-point font, double-spaced) pages. Failure to complete any assignment will result in an F in the course.

**Class Participation and Readings:** The centerpiece of our class meetings will be rigorous discussion of the assigned texts. Therefore, attendance and participation are of the utmost importance. Students will be expected to complete the readings and come prepared to discuss them in detail. No laptops or electronic devices are permitted in class.

**Honor Code at Virginia:** All work completed for this course falls under the guidelines of the Honor System. The Pledge is a signed reaffirmation of your commitment to academic integrity.

Accordingly, you must write out, sign and date the following pledge on all academic work: “On my honor as a student, I have neither given nor received aid on this exam/assignment.”

**Guest Lectures:** The guest lectures are a vital element of this course. They are typically given by a prominent scholar of the topic under consideration. Your attendance at the guest lectures is a mandatory part of your participation grade, and a sign-in sheet will likely be circulated during each lecture. Any or all of the materials covered in the lectures can appear on the exams. Unless otherwise announced, all guest lectures will be held in the Jefferson Society Hall.

## COURSE READING SCHEDULE

### **Wednesday, January 18: Introduction**

J.C.L. Simonde de Sismondi, selections from *Political Economy* (1847)  
The Bible, Matthew 6:1-34, 19:16-30

#### Reading Questions

1. What is political economy, and what is its goal (if there is one)?

### **Friday, January 20: Institutions and Regimes**

Plutarch, “Life of Lycurgus”

#### Reading Questions

1. How does Plutarch’s “Life of Lycurgus” illustrate the idea of a regime? Would you like to live in Sparta? What are the advantages and disadvantages of the Spartan regime?
2. What is the Spartan view of political economy? How does it differ from the modern one?

### **Monday, January 23: Classical and Christian Approaches**

Aristotle, selections from *Nichomachean Ethics*  
1.7 – 1.8 (Discussion of the Good); 4.1 – 4.2 (Liberality and Magnificence)  
Aristotle, selections from *Politics*  
1.1 – 1.10 (Household and Wealth)

#### Reading Questions

1. Should the object of political economy be to encourage material wealth and comfort amongst its inhabitants, or a certain way of life and character of citizenship?

### **Wednesday, January 25: Classical and Christian Approaches**

The Bible, Psalms 49; Luke 12:1-40  
Thomas Aquinas, selections from *Summa Theologica* (1485)

#### Reading Questions

1. According to the Biblical understanding, what is the proper role of material wealth in producing the good life?

### **Friday, January 27: Modern Political Thought**

Mandeville, *Fable of the Bees*, “An Inquiry Into the Origin of Moral Virtue” (1714)

Mandeville, *Fable of the Bees*, “The Grumbling Hive” (1714)

Reading Questions

1. According to Mandeville, how were concepts of “Virtue” and “Vice” first determined?
2. Why, according to Mandeville, do authority figures describe honor, power, and pride as “vices”? Should they?

**Monday, January 30: Modern Political Thought**

John Locke, *Second Treatise on Government*, Chapter 5 (1689)

Reading Questions

1. What does Locke mean when he suggests that man’s labor and property is an extension of himself?
2. What sorts of restrictions does Locke put on the ability of man to accumulate as much property as possible? Are they legitimate restrictions?
3. How does the introduction of private property and money affect the overall well-being of society? Does this view form the basis of modern capitalism?

**Wednesday, February 1: The Case for Capitalism and Commerce**

Adam Smith, selections from *Theory of Moral Sentiments* (1759)

Reading Questions

1. According to Adam Smith, is man naturally sympathetic to his fellow men? How is this sympathy reflected in economic exchange?
2. How does Adam Smith define “justice”?

**Friday, February 3: The Case for Capitalism and Commerce**

Adam Smith, selections from *Theory of Moral Sentiments*

Reading Questions

1. How does the “invisible hand” operate?
2. How does Smith define prudence? What is the role of the virtue of prudence in making a free market economy work?
3. Does Smith’s “man of system” exist today?

**Monday, February 6: The Case for Capitalism and Commerce**

**\*\*Guest Lecture: Michelle Schwarze, University of Wisconsin\*\***

**Wednesday, February 8: The Case for Capitalism and Commerce**

Adam Smith, selections from *Wealth of Nations* (1776)

Reading Questions

1. What are the advantages and disadvantages of the division of labor in society?
2. What does Smith mean when he suggests that a common laborer in England is more comfortable than an African king?
3. How does the relationship between the natural and market prices of commodities illustrate the capacity of the market to self-regulate?

## Friday, February 10: The Case for Capitalism and Commerce

Adam Smith, selections from *Wealth of Nations*

### Reading Questions

1. What does Smith mean when he says that liberty is “natural”?
2. Does the invisible hand require a complete absence of government to function? What is the proper role of government according to Smith?
3. What, according to Smith, is the role of education in a free market society? What problems does Smith hope education will address? On what principle should the education system be based?

## Monday, February 13: Capitalist Virtue

Yuval Levin, “Recovering the Case for Capitalism” (2010)  
Deirdre McCloskey, “Bourgeois Virtue”

### Reading Questions

1. According to Levin, what are the two current critiques of capitalism? What does he mean when he says that they are moral, not economic, critiques?
2. How does capitalism change our ideas about what constitutes virtue?

## Wednesday, February 15: Capitalist Virtue

Max Weber, selections from *The Protestant Ethic and the Spirit of Capitalism*  
Benjamin Franklin, selections from the *Autobiography*

### Reading Questions

1. How did Protestant devotion result in a capitalist economy, according to Weber?
2. What do Franklin’s virtues aim at? How are they different from the virtues of the Spartans?

## Friday, February 17: Critiques of Capitalism

J.J. Rousseau, *Discourse on the Arts and Sciences*, Part 2 (1750)

### Reading Questions

1. How do the arts and sciences soften, enervate, and corrupt man? What role does commerce play in this corruption?

## Monday, February 20: Critiques of Capitalism

J.J. Rousseau, *Discourse on the Origin of Inequality*, Part 2 (1755)  
J.J. Rousseau, *The Social Contract*, Book I, chs. 6-9 (1762)

### Reading Questions

1. What is the condition of man in the state of nature, according to Rousseau? How does man’s nature change when he enters civil society?

2. What changes in the development of society destroy the original equality of man?
3. What is the origin of property?

### **Wednesday, February 22: Critiques of Capitalism**

Karl Marx, "Contribution to the Critique of Political Economy" (Preface)  
Karl Marx, selections from "Economic and Philosophic Manuscripts of 1844"  
Karl Marx, selections from "The German Ideology"  
Karl Marx, selections "Communist Manifesto"

#### Reading Questions

1. What does Marx mean when he says that the worker eventually becomes a commodity in a capitalist system?
2. In what ways can man become alienated?
3. How does society develop from the tribal to capitalist system?
4. How will society, according to Marx, develop from the capitalist system to communism?

### **Friday, February 24: NO CLASS**

**\*\*\* FIRST PAPER DUE BY 5PM \*\*\***

### **Monday, February 27: Critiques of Capitalism**

Karl Marx, "Wage Labor and Capital"

#### Reading Questions

1. What is the relationship between the growth of capital and the wages of the workers who supply it?

### **Wednesday, March 1: Critiques of Capitalism**

Michael Sandel, *What Money Can't Buy: The Moral Limits of Markets* (2012)

#### Reading Questions

1. What should money buy, and what shouldn't it? How do these limits (or lack thereof) affect the character of human beings in society?

### **Friday, March 3: \*\*\* MIDTERM EXAM\*\*\***

### **March 6-10: SPRING BREAK**

### **Monday, March 13: The Economy at the Founding**

Alexander Hamilton, "Report on Manufactures," (1791)  
Adam Smith, selections from *Wealth of Nations*, (IV.ii.23-45)  
Thomas Jefferson, *Notes on the State of Virginia*, Query #8, #19 (1783)  
Thomas Jefferson, *A Summary View of the Rights of British America* (1765)  
Thomas Jefferson, "Letter to Joseph C. Cabell" (1816)  
Thomas Jefferson, "Letter to Benjamin Austin" (1816)  
Thomas Jefferson, "Letter to William H. Crawford" (1816)

### Reading Questions

1. What are Jefferson's arguments for maintaining an agricultural republic? In particular, how does an agricultural republic alter the character of its people?
2. According to Hamilton, how does an urban, industrial society affect the development of the character of its people? Does the capitalist entrepreneur spontaneously emerge, or is she a product of a certain system of political economy?
3. In your view, which system of political economy creates a better citizen for the United States? Which better promotes the national interest?

### **Wednesday, March 15: Inequality, Aristocracy, Meritocracy**

John Adams, selections from *Works*, Vol. IV, Vol. VI  
John Adams, selections from *Discourses on Davila* (1791)  
Thomas Jefferson, "Letter to James Madison" (1785)  
Thomas Jefferson, brief selection from "Draft of a Constitution for Virginia"  
Thomas Jefferson, "Letter to John Adams" (1813)

### Reading Questions

1. Is inequality the product of a capitalist system, or does it arise naturally?
2. Which institutional legal changes, according to Jefferson, will promote genuine economic opportunity?

### **Friday, March 17: Inequality, Aristocracy, Meritocracy**

Thomas Paine, "Agrarian Economy"  
Brutus, No. 3  
Melancton Smith, selections from "Speeches to the New York Assembly"  
*Federalist Papers*, #10  
*Federalist Papers*, #35

### Reading Questions

1. What is the source of inequality, according to Paine? How can its negative effects be mitigated?
2. Assuming inequality in society, what form of political representation best provides for a just, liberal, democratic society?
3. What is Madison's solution to the problem of factions?

### **Monday, March 20: Debt and Banking**

**\*\*Guest Lecture: Robert Bruner, Darden School, UVA\*\***

Alexander Hamilton, "On the Constitutionality of the Bank"  
Alexander Hamilton, "Report on the Public Credit"  
Thomas Jefferson, "On the Constitutionality of the Bank"  
Thomas Jefferson, "Letter to James Madison" (1789)  
Thomas Jefferson, "Letter to Samuel Kercheval" (1816)

### Reading Questions

1. According to Hamilton and Jefferson, how far is the government authorized, constitutionally, in promoting a certain type of economic system?

2. What is Hamilton's view of government debt? What is Jefferson's view? In what cases is it justified, and what are its effects?

### **Wednesday, March 22: Jacksonian Democracy and Neo-Hamiltonianism**

Henry Clay, selections from "Speech on the Tariff"  
John Taylor of Caroline, selections from *Tyranny Unmasked*

#### Reading Questions

1. What were the various arguments in favor of and opposed to the tariff?
2. Did Andrew Jackson overstep his authority when vetoing the bank bill?
3. Does government intervention in the economy favor one class over the other?

### **Friday, March 24: Tocqueville**

Alexis de Tocqueville, selections from *Democracy in America*  
Volume 1, Part II, Chapter 6 (Advantages of democratic government)  
Volume 1, Part II, Chapter 10 (Commercial greatness)  
Volume 2, Part II, Chapter 10-20 (Materialism)

#### Reading Questions

1. What is the relationship between democracy and industry/prosperity in America, according to Tocqueville?
2. How can a capitalist democracy eventually transform into an industrial aristocracy? Is Tocqueville's characterization of this possibility similar to Marx's? Does Tocqueville, like Marx, regard this development as inevitable?
3. What accounts for commercial greatness in America, according to Tocqueville?

### **Monday, March 27: Tocqueville on Slavery**

Alexis de Tocqueville, selections from *Democracy in America*  
Volume 1, Part 1, Chapter 2 (Early North / South Divide)  
Volume 1, Part II, Chapter 10 (Slavery)  
Volume 2, Part III, Chapter 5 (Master and Servant)

#### Reading Questions

1. According to Tocqueville, how does the political economy of the free states differ from that of the slave states? How does this affect the way of life in each region?
2. How does the life of a servant in an aristocratic system differ from that of a domestic wage laborer in a capitalist system?

### **Wednesday, March 29: Slavery and the American Political Economy**

Genovese, selections from *The Political Economy of Slavery*

#### Reading Questions

1. Why does Genovese make the claim that slavery is not, in fact, a "capitalist" system? How did Southern aristocratic "values" prevent the South from developing a robust industrial economy?

### **Friday, March 31: Slavery and the American Political Economy**

George Fitzhugh, selections from *Cannibals All*  
Abraham Lincoln, selections from “Speech in Wisconsin”

#### Reading Questions

1. What are the arguments for and against free labor?

### **Monday, April 3: The Gilded Age**

William Graham Sumner, “What the Social Classes Owe to Each Other”  
William Graham Sumner, “The Concentration of Wealth”

#### Reading Questions

1. What arguments does Sumner provide in order to defend the wealthy and their role in society?
2. How is it that a few lazy millionaires are actually beneficial for society as a whole, according to Sumner?
3. How does Sumner’s defense of capitalism differ from the arguments of Friedman or Smith? Is it harsher?

### **Wednesday, April 5: The Gilded Age**

Andrew Carnegie, “The Gospel of Wealth” (1900)  
Eugene Debs, “Competition vs. Cooperation” (1900)

#### Reading Questions

1. For Carnegie, is wealth inherently a positive thing for society?
2. What is the proper object of philanthropy in society?
3. Why does Debs object to private concentrations of wealth? What does he propose instead?

### **Friday, April 7: Progressivism**

Theodore Roosevelt, “The New Nationalism”  
Woodrow Wilson, selections from *New Freedom*

#### Reading Questions

1. How can the government help ensure equality of opportunity for all citizens? Is this a proper goal of government?
2. How did Progressivism offer a new vision of the role of the state in the economy?

### **Monday, April 10: Liberalism**

Franklin Delano Roosevelt, “Commonwealth Club Address” (1932)  
Franklin Delano Roosevelt, Press Conference after *Schechter Poultry* decision (1935)  
Franklin Delano Roosevelt, “A Second Bill of Rights” (1944)  
Lyndon B. Johnson, “Remarks on the Signing of the Medicare Bill” (1965)

#### Reading Questions

1. What does it mean for the role of the federal government when FDR's claims that, "The prosperity of the farmer does have an effect today on the manufacturer in Pittsburgh. The prosperity of the clothing worker in the city of New York has an effect on the prosperity of the farmer in Wisconsin"?
2. Is FDR correct to refer to things like "a decent home" and "a good education" as *rights*?
3. How does Medicare extend FDR's philosophy?

### **Wednesday, April 12: Modern Welfare State**

F.A. Hayek, *Road to Serfdom* (1944) (condensed version)

#### Reading Questions

1. According to Hayek, what is the first step on the Road to Serfdom?
2. How do "planners" alter the idea of freedom in order to suit their agenda?
3. What are the three reasons why the group of leaders in a "planned" society are likely to be made up of the worst, rather than best, elements of that society?
4. How does Hayek distinguish between two types of security in society?

### **Friday, April 14: Modern Welfare State**

William Voegeli, *Never Enough*, Chapter 2

Alexis de Tocqueville, *Democracy in America*

Volume 2, Part IV, Chapters 3, 6 – 8 (Soft Despotism)

#### Reading Questions

1. In what ways does Voegeli find liberalism's conception of "rights" to be problematic?
2. What does Voegeli mean when he suggests that liberalism has both an "intellectual" and a "political" problem? How does he see these two problems to be related?
3. Does Tocqueville's description of soft despotism apply to the modern welfare state?

### **Monday, April 17: Modern Critiques of Materialism**

Wendell Berry, "Jefferson Lecture: It All Turns on Affection" (2012)

#### Reading Questions

1. Is Progress really progress?
2. What are the authors' arguments against the urban industrial system? What is their alternative to both *laissez-faire* capitalism and Progressivism?

### **Wednesday, April 19: Contemporary Debate on Political Economy: Rawls v. Nozick**

John Rawls, "Distributive Justice"

#### Reading Questions

1. Why is Rawls concerned with using utility as the guiding principle of "justice" in society?
2. What are the two principles of justice, according to Rawls? Is it possible to arrange constitutional matters such that they can be realized in society?

### **Friday, April 21: Contemporary Debate on Political Economy: Rawls v. Nozick**

Robert Nozick, *Anarchy, State, and Utopia*, Chapter 7, Part 1, pp.149-160

Reading Questions

1. Describe Nozick's Entitlement Theory. How is it different, in both method and substance, from Rawls's principles of justice?

**Monday, April 24: Contemporary Debate on Political Economy: Rawls v. Nozick**

Robert Nozick, *Anarchy, State, and Utopia*, Chapter 7, Part 1, pp.160-174

Reading Questions

1. Is Nozick right to claim that patterned systems of distribution necessarily limit choice?

**Wednesday, April 26: Inequality**

President Barack Obama, "Speech on Inequality" (12/4/13)

Peter Wehner and Robert Beschel, Jr., "How to Think About Inequality" (2012)

Reading Questions

1. What are the practical implications of rising inequality and decreased mobility, according to President Obama?
2. What are some of the solutions that President Obama offers to combat this rising inequality?
3. What is the relationship between income and happiness? Is that relationship something that the government can / should understand?

**Friday, April 28: Conclusion**

Charles Murray, "The New American Divide", *Wall Street Journal*, 12/21/12

Reading Questions

1. What are the sorts of indicators that Murray suggests we ought to focus on when considering the growing "inequality" in American society?
2. According to Murray, what should be done about this growing inequality?

**Monday, May 1: NO CLASS**

**\*\*\* SECOND PAPER DUE BY 5:00PM \*\*\***

**FINAL EXAM: Monday, May 8, 9am-12p**