1. Introduction

Syllabus
Grading:
- HW (15%)
- book discussion (10%)
- planner’s headache problem (5%)
- class blog (10%)
- midterm exam (20%)
- final exam (30%)
- participation (10%)

Comparative Economic Systems
- Debate: capitalism vs. socialism
  - much of 20th century:
  - capitalism “won” in the end
  - are all capitalist economies performing equally?
  - is there more than one form of capitalism?
  - what defines capitalism?
  - are there still countries practicing socialism?
  - debate less relevant nowadays
Comparative Economic Systems

- Transition
  - what does this mean?
  - economic system building experiment
- Are economic systems static or dynamic?
- Globalization – a new system?
  - Lexus vs. the olive tree
- Transformed into studying institutions
  - The role of the government
  - Stability and sustainability of growth
  - Incentives
  - Markets

What is an economic system?

3 fundamental questions

1. WHAT? → production decision
2. HOW? → choice of technique
3. FOR WHOM? → distributional decision

- How do these elements fit together? What ties them?
What is an economic system?
An economic system is the set of institutions that define and constrain the allocation of goods and services

Basically – “the rules of the game”

Rules:
• **formal**: laws, regulations, directives
• **informal**: practices, customs, beliefs