

**Advanced Institute, Fall 2014**  
**CAPITALISM AND THE FUTURE OF DEMOCRACY**  
**Instructors: Christopher DeMuth and Yuval Levin**  
**New York, New York**

What is the relationship between capitalism and democracy? Does economic liberty serve and strengthen political freedom, or does the pursuit of self-interest undermine the moral qualities necessary for self-government? Does modern democracy ensure a free and flourishing economy, or do the egalitarian ideals of democratic man require limitations on market competition and lead to an ever-expanding welfare state?

In the modern age, capitalism and democracy emerged together as two ideas of how human beings should govern themselves. It is no coincidence of history that Adam Smith's classic *The Wealth of Nations*, the foundational text for the modern idea of the free economy, was published in the same year (1776) that a new democracy was founded in America. This vision of the good society was dedicated to protecting the rights of man to choose one's leaders and to pursue one's economic interests. The role of government was to ensure that all citizens could exercise these self-evident rights and liberties forever and always.

From the beginning, democratic and capitalist societies have inspired great moral and political opposition. Modern welfare-state democracies have chosen to set significant limits on the free economy and to redistribute wealth in the name of equality. We have also seen many democratic societies whose origins were not capitalist at all—like modern Israel; and we have seen societies attempting to combine the wealth that only capitalism creates with autocratic governments that no friend of liberty could ever condone.

This institute aims to explore the fundamental questions of political economy, by drawing upon classic texts of modern economic and democratic thought, and then looking at key modern debates and policy dilemmas now facing the advanced democracies of the world.

Week One will be led by Yuval Levin, founding editor of *National Affairs* and one of the leading public intellectuals in the U.S. Through the study of Aristotle and John Locke, Adam Smith and Karl Marx, we will explore the relationship between the pursuit of wealth and the quest for the virtuous society.

Week Two will be led by Christopher DeMuth, former president of the American Enterprise Institute and Distinguished Fellow at the Hudson Institute. Turning to modern thinkers who help us understand the relationship between democratic politics, public policy, and economic prosperity, we will study Hayek, Shumpeter, Irving Kristol, and selections from Thomas Piketty's *Capital in the Twenty-First Century*. With a study of the 2008 Financial Crisis, we conclude by asking whether the good society requires a free economy, and whether a society committed to liberty can also sustain a virtuous citizenry and a just social order.

## WEEK ONE

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**Monday, November 10, 2014, 8:45 am to 12:15 pm**

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### ***The Foundations of Political Economy***

#### Readings:

- Aristotle, *Politics*, Book I, Chs. 8-10
- John Locke, *Second Treatise of Civil Government*, Chs. 2, 5, 7-9

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**Tuesday, November 11, 2014, 9:45 am to 12:15 pm**

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### ***The Political Economy of Adam Smith***

#### Readings:

- Adam Smith, *Theory of Moral Sentiments*
  - Part I, Section I, Chs. 1-4
  - Part I, Section III, Chs. 1-2
  - Part II, Section II, Chs. 1-3
- Adam Smith, *The Wealth of Nations*
  - Introduction
  - Book I, chs. 1-2

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**Wednesday, November 12, 2014, 9:45 am to 12:15 pm**

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### ***Class Justice and the Economic Order***

#### Readings:

- Thomas Paine, "Agrarian Justice"
- Marx and Engels, *The Communist Manifesto*, ch. 1, "Bourgeois and Proletariat"

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**Thursday, November 13, 2014, 9:45 am to 12:15 pm**

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### ***Political Economy and Progressive Politics***

#### Readings:

- Theodore Roosevelt, "The New Nationalism," Speech delivered at the dedication of the John Brown Memorial Park in Osawatomie, Kansas, August 31, 1910
- Herbert Croly, *The Promise of American Life*, Chs. 2-3

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**Friday, November 14, 2014, 9:45 am to 12:15 pm**

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***The Political Economy of F.A. Hayek***

Readings:

- F.A. Hayek, *The Constitution of Liberty*, Chs. 2 and 17

**WEEK TWO**

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**Monday, November 17, 2014, 9:45 am to 5:00 pm**

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***The Political Economy of Joseph Schumpeter***

Readings:

- Joseph A. Schumpeter, *Capitalism, Socialism and Democracy* (1942), Part II (“Can Capitalism Survive?”), Prologue (pp. 61–62), and Chs. VII (pp. 81–86), XI–XIV (pp. 121–163)

Optional Readings:

- Schumpeter, *Capitalism, Socialism and Democracy*, Part III (“Can Socialism Work?”), chs. XV and XVI (pp. 167–186), and Part IV (“Socialism and Democracy”), Chs. XXI, XXII, and XXIII (pp. 250–302)
- Jerry Z. Muller, *The Mind and the Market: Capitalism in Western Thought* (2002), Ch. 11 (“Schumpeter: Innovation and Resentment”)

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**Tuesday, November 18, 2014, 9:45 am to 12:15 pm**

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***The Political Economy of Michael Novak***

Readings:

- Michael Novak, *The Spirit of Democratic Capitalism*, Chs. I–III (pp. 31–80)

Optional Readings:

- *The Spirit of Democratic Capitalism*
  - “Introduction” (pp. 13–28)
  - Chs. V–VI (pp. 96–142)
  - Chs. VIII–IX (pp. 156–186)
- Michael Novak, “*The Spirit of Democratic Capitalism after Thirty Years*,” in *Christian Critiques of Capitalism: A Collection of Essays* (forthcoming 2015)

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**Wednesday, November 19, 2014, 9:45 am to 12:15 pm**

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***The Political Economy of Irving Kristol***

Readings:

- Irving Kristol, “‘When Virtue Loses All Her Loveliness’—Some Reflections on Capitalism and ‘the Free Society,’” *The Public Interest* (Fall 1970)
- Irving Kristol, “Capitalism, Socialism, and Nihilism,” *The Public Interest* (Spring 1973)
- Irving Kristol, “Corporate Capitalism in America,” *The Public Interest* (Fall 1975)

Optional Readings:

- Irving Kristol, “No Cheers for the Profit Motive,” *The Wall Street Journal* (February 20, 1979)
- Irving Kristol, “The Cultural Revolution and the Capitalist Future,” *The American Enterprise* (March 1992)
- Matthew Continetti, “The Theological Politics of Irving Kristol,” *National Affairs* (Summer 2014)

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**Thursday, November 20, 2014, 9:45 am to 12:15 pm**

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***The Political Economy of Thomas Piketty***

Readings:

- Thomas Piketty, *Capitalism in the Twenty-First Century* (2014), “Introduction” and “Conclusion”
- Thomas Piketty, “Save Capitalism from the Capitalists by Taxing Wealth,” *Financial Times* (March 28, 2014)

Optional Readings:

- Thomas Piketty, *Capitalism in the Twenty-First Century*, Chs. 3 (“The Metamorphoses of Capital”), 10 (“Inequality of Capital Ownership”), 11 (“Merit and Inheritance in the Long Run”), and 13 (“A Social State for the Twenty- First Century”)
- Tyler Cowen, “Capital Punishment: Why a Global Tax on Wealth Won’t End Inequality,” *Foreign Affairs* (September 2014)
- Lawrence H. Summers, “The Inequality Puzzle,” *Democracy* (Summer 2014)

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**Friday, November 21, 2014, 9:45 am to 12:15 pm**

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***The Financial Collapse of 2008***

Readings:

- Richard A. Posner, *The Crisis of Capitalist Democracy* (2010), ch. 7 (“The Fragility of Finance”)
- Financial Crisis Inquiry Commission, *Final Report* (January 2011), Conclusions (pp. xv–xxvii)
- Peter J. Wallison, “The Lost Cause: The Failure of the Financial Crisis Inquiry Commission,” *AEI Financial Services Outlook* (January- February 2011)
- Jeffrey Friedman and Wladimir Kraus, “A Silver Lining to the Financial Crisis: A More Realistic View of Capitalism,” *AEI Regulation Outlook* (January 2010)
- Charles W. Calomiris and Stephen H. Haber, “Why Banking Systems Succeed—and Fail,” *Foreign Affairs* (December 2013)

Optional Readings:

- Christopher DeMuth, “Government Regulation and the Financial Crisis of 2008”