



**THE TIKVAH FUND**

165 E. 56th Street  
New York, New York 10022

**Capitalism and the Future of Democracy**

November 10, 2014 – November 21, 2014

Deans: Roger Hertog (week 1) and Eric Cohen (week 2)  
Core Faculty: Yuval Levin and Christopher DeMuth  
Visiting Speakers: Michael Sarel, Dan Senior, and Luigi Zingales

**I. Description:**

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.



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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.



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**II. Institute Calendar**

<b>Monday, November 10, 2014</b>			
<i>Times</i>	<i>Lead Instructor</i>	<i>Topic</i>	<i>Readings</i>
8:45	Welcome Breakfast		
9:45-12:15	Yuval Levin	The Foundations of Political Economy	<ul style="list-style-type: none"> <li>• Aristotle, <i>Politics</i>, Book I, chs. 8-10</li> <li>• John Locke, <i>Second Treatise of Civil Government</i>, chs. 2, 5, 7-9</li> </ul>
12:30–2:30	Lunch and Participant Introductions		
2:30-5:00	Roger Hertog in Conversation with Eric Cohen: <i>Why Ideas Matter: A View from Business, Politics, and Philanthropy</i>		

<b>Tuesday, November 11, 2014</b>			
<i>Times</i>	<i>Lead Instructor</i>	<i>Topic</i>	<i>Readings</i>
9:45-12:15	Yuval Levin	The Political Economy of Adam Smith	<ul style="list-style-type: none"> <li>• Adam Smith, <i>Theory of Moral Sentiments</i> <ul style="list-style-type: none"> <li>○ Part I, Section I, chs. 1-4</li> <li>○ Part I, Section III, chs. 1-2</li> <li>○ Part II, Section II, chs. 1-3</li> </ul> </li> <li>• Adam Smith, <i>The Wealth of Nations</i> <ul style="list-style-type: none"> <li>○ Introduction</li> <li>○ Book I, chs. 1-2</li> <li>○ Book IV, chs. 2, 9</li> </ul> </li> </ul>

<b>Wednesday, November 12, 2014</b>			
<i>Times</i>	<i>Lead Instructor</i>	<i>Topic</i>	<i>Readings</i>
9:45-12:15	Yuval Levin	Class Justice and the Economic Order	<ul style="list-style-type: none"> <li>• Thomas Paine, “Agrarian Justice”</li> <li>• Marx and Engels, <i>The Communist Manifesto</i>, ch. 1, “Bourgeois and Proletariat”</li> </ul>
2:30-5:00	Yuval Levin in Conversation with Eric Cohen: <i>Political Philosophy and Public Policy: A View from the Editor’s Desk</i>		



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<b>Thursday, November 13, 2014</b>			
<i>Times</i>	<i>Lead Instructor</i>	<i>Topic</i>	<i>Readings</i>
9:45–12:15	Yuval Levin	Political Economy and Progressive Politics	<ul style="list-style-type: none"><li>• Theodore Roosevelt, “The New Nationalism,” Speech delivered at the dedication of the John Brown Memorial Park in Osawatomie, Kansas, August 31, 1910</li><li>• Herbert Croly, <i>The Promise of American Life</i>, chs. 2-3</li></ul>
4:00–5:30	Dan Senor	The Future of the Start-Up Nation	<ul style="list-style-type: none"><li>• Dan Senor and Saul Singer, <i>Start-Up Nation</i>, pp. 1–20</li></ul>
6:00 – 8:00	Luigi Zingales in conversation with Yuval Levin: <i>America, Israel, and Crony Capitalism</i>		

<b>Friday, November 14, 2014</b>			
<b>Capitalism and the Future of Democracy</b>			
<i>Times</i>	<i>Lead Instructor</i>	<i>Topic</i>	<i>Readings</i>
9:45–12:15	Yuval Levin	The Political Economy of F.A. Hayek	<ul style="list-style-type: none"><li>• F.A. Hayek, <i>The Constitution of Liberty</i>, chs. 2 and 17</li></ul>



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Monday, November 17, 2014			
<i>Times</i>	<i>Lead Instructor</i>	<i>Topic</i>	<i>Readings</i>
9:45-12:15	Christopher DeMuth	The Political Economy of Joseph Schumpeter	<b>Required Reading:</b> <ul style="list-style-type: none"><li>• Joseph A. Schumpeter, <i>Capitalism, Socialism and Democracy</i> (1942), Part II (“Can Capitalism Survive?”), Prologue (pp. 61–62), and chs. VII (pp. 81–86), XI–XIV (pp. 121–163)</li></ul>
2:30-5:00			<b>Optional Reading:</b> <ul style="list-style-type: none"><li>• Schumpeter, <i>Capitalism, Socialism and Democracy</i>, Part III (“Can Socialism Work?”), chs. XV and XVI (pp. 167–186), and Part IV (“Socialism and Democracy”), Chapters XXI, XXII, and XXIII (pp. 250–302)</li><li>• Jerry Z. Muller, <i>The Mind and the Market: Capitalism in Western Thought</i> (2002), ch. 11 (“Schumpeter: Innovation and Resentment”)</li></ul>



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Tuesday, November 18, 2014			
<i>Times</i>	<i>Lead Instructor</i>	<i>Topic</i>	<i>Readings</i>
9:45-12:15	Christopher DeMuth	The Political Economy of Michael Novak	<b>Required Reading:</b> <ul style="list-style-type: none"><li>• Michael Novak, <i>The Spirit of Democratic Capitalism</i>, chs. I–III (pp. 31–80)</li></ul> <b>Optional Reading:</b> <ul style="list-style-type: none"><li>• <i>The Spirit of Democratic Capitalism</i><ul style="list-style-type: none"><li>○ “Introduction” (pp. 13–28)</li><li>○ chs. V–VI (pp. 96–142)</li><li>○ chs. VIII–IX (pp. 156–186)</li></ul></li><li>• Michael Novak, “<i>The Spirit of Democratic Capitalism</i> after Thirty Years,” in <i>Christian Critiques of Capitalism: A Collection of Essays</i> (forthcoming 2015)</li></ul>
2:30-5:00	Michael Sarel	The Israeli Economy: A View of the Macroeconomic Trends	<ul style="list-style-type: none"><li>• N/A</li></ul>



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Wednesday, November 19, 2014			
<i>Times</i>	<i>Lead Instructor</i>	<i>Topic</i>	<i>Readings</i>
9:45-12:15	Christopher DeMuth	The Political Economy of Irving Kristol	<p><b>Required Reading:</b></p> <ul style="list-style-type: none"> <li>• Irving Kristol, “‘When Virtue Loses All Her Loveliness’—Some Reflections on Capitalism and ‘the Free Society,’” <i>The Public Interest</i> (Fall 1970)</li> <li>• Irving Kristol, “Capitalism, Socialism, and Nihilism,” <i>The Public Interest</i> (Spring 1973)</li> <li>• Irving Kristol, “Corporate Capitalism in America,” <i>The Public Interest</i> (Fall 1975)</li> </ul> <p><b>Optional Reading:</b></p> <ul style="list-style-type: none"> <li>• Irving Kristol, “No Cheers for the Profit Motive,” <i>The Wall Street Journal</i> (February 20, 1979)</li> <li>• Irving Kristol, “The Cultural Revolution and the Capitalist Future,” <i>The American Enterprise</i> (March 1992)</li> <li>• Matthew Continetti, “The Theological Politics of Irving Kristol,” <i>National Affairs</i> (Summer 2014)</li> </ul>
2:30-5:00	Christopher DeMuth in Conversation with Moshe Koppel: <i>The Significance of Economic Policy Research: A View from Washington</i>		



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<b>Thursday, November 20, 2014</b>			
<i>Times</i>	<i>Lead Instructor</i>	<i>Topic</i>	<i>Readings</i>
9:45-12:15	Christopher DeMuth	The Political Economy of Thomas Piketty	<p><b>Required Reading:</b></p> <ul style="list-style-type: none"> <li>• Thomas Piketty, <i>Capitalism in the Twenty-First Century</i> (2014), “Introduction” and “Conclusion”</li> <li>• Thomas Piketty, “Save Capitalism from the Capitalists by Taxing Wealth,” <i>Financial Times</i> (March 28, 2014)</li> </ul> <p><b>Optional Reading:</b></p> <ul style="list-style-type: none"> <li>• Thomas Piketty, <i>Capitalism in the Twenty-First Century</i>, 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”)</li> <li>• Tyler Cowen, “Capital Punishment: Why a Global Tax on Wealth Won’t End Inequality,” <i>Foreign Affairs</i> (September 2014)</li> <li>• Lawrence H. Summers, “The Inequality Puzzle,” <i>Democracy</i> (Summer 2014)</li> </ul>
2:30-5:00	Michael Sarel	The Israeli Housing Market: A Case Study	<p><b>Optional Reading:</b></p> <ul style="list-style-type: none"> <li>• Michael Sarel, “Demand for Housing and the Desired Tax Policy”</li> </ul>





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Friday, November 21, 2014			
Capitalism and the Future of Democracy			
<i>Times</i>	<i>Lead Instructor</i>	<i>Topic</i>	<i>Readings</i>
9:45-12:15	Christopher DeMuth	The Financial Collapse of 2008	<p><b>Required Reading:</b></p> <ul style="list-style-type: none"> <li>• Richard A. Posner, <i>The Crisis of Capitalist Democracy</i> (2010), ch. 7 (“The Fragility of Finance”)</li> <li>• Financial Crisis Inquiry Commission, <i>Final Report</i> (January 2011), Conclusions (pp. xv–xxvii)</li> <li>• Peter J. Wallison, “The Lost Cause: The Failure of the Financial Crisis Inquiry Commission,” <i>AEI Financial Services Outlook</i> (January-February 2011)</li> <li>• Jeffrey Friedman and Wladimir Kraus, “A Silver Lining to the Financial Crisis: A More Realistic View of Capitalism,” <i>AEI Regulation Outlook</i> (January 2010)</li> <li>• Charles W. Calomiris and Stephen H. Haber, “Why Banking Systems Succeed—and Fail,” <i>Foreign Affairs</i> (December 2013)</li> </ul> <p><b>Optional Reading:</b></p> <ul style="list-style-type: none"> <li>• Christopher DeMuth, “Government Regulation and the Financial Crisis of 2008” (June 2012)</li> <li>• Richard A. Posner, “Afterword: The Causes of the Financial Crisis,” in Jeffrey Friedman (ed.), <i>What Caused the Financial Crisis</i> (2011)</li> </ul>



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### **III. Faculty Biographies**

#### **Deans**

##### **Roger Hertog (week 1)**

Roger Hertog is president of the Hertog Foundation and chairman of the Tikvah Fund. One of the founding partners of the investment research and management firm Sanford C. Bernstein & Co., which he joined in 1968, Mr. Hertog served as the firm's president before its merger with Alliance Capital Management in 2000. In 2006 he retired from the successor company, Alliance Bernstein, and is currently vice-chairman emeritus.

An alumnus of the City College of New York, Mr. Hertog was previously chairman of The New-York Historical Society and The Manhattan Institute. He has also served on the boards of the American Enterprise Institute, the New York Philharmonic, the New York Public Library, the Thomas Jefferson Foundation and the Washington Institute for Near-East Policy.

In 2007 Mr. Hertog was awarded the Medal of the National Endowment for the Humanities in recognition of his philanthropic efforts. In 2010 he received the William E. Simon Prize for Philanthropic Leadership.

##### **Eric Cohen (week 2)**

Eric Cohen has been the Executive Director of the Tikvah Fund since 2007. He was the founder and remains editor-at-large of the *New Atlantis*, serves as the publisher of the *Jewish Review of Books* and *Mosaic*, and currently serves on the board of directors of the Ethics and Public Policy Center, the Witherspoon Institute, and *National Affairs* and on the Editorial Advisory Board of *First Things*. Mr. Cohen has published in numerous academic and popular journals, magazines, and newspapers, including the *Wall Street Journal*, the *Washington Post*, *Weekly Standard*, *Commentary*, *The New Republic*, *First Things*, and numerous others. He is the author of *In the Shadow of Progress: Being Human in the Age of Technology* (2008) and co-editor of *The Future Is Now: America Confronts the New Genetics* (2002). He was previously managing editor of the *Public Interest* and served as a senior consultant to the President's Council on Bioethics.



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**Core Faculty**

**Yuval Levin**

Yuval Levin is the editor of *National Affairs*. He is also the Hertog Fellow at the Ethics and Public Policy Center, a senior editor of *The New Atlantis*, and a contributing editor of *National Review* and the *Weekly Standard*. He has been a member of the White House domestic policy staff (under President George W. Bush), Executive Director of the President's Council on Bioethics, and a congressional staffer. Author and editor of numerous books, he most recently published *The Great Debate: Edmund Burke, Thomas Paine, and the Birth of Right and Left* (Basic Books, 2013).

**Christopher DeMuth**

Christopher DeMuth is a Distinguished Fellow at the Hudson Institute in Washington, D.C. He was President of the American Enterprise Institute for Public Policy Research from 1986–2008 and D.C. Searle Senior Fellow at AEI from 2008–2011.

Mr. DeMuth served as Staff Assistant to President Richard M. Nixon in 1969-1970, working first for Daniel P. Moynihan (then Assistant to the President for Urban Affairs) on urban policy matters and then as chairman of the White House Task Force on Environmental Policy. Following law school, he practiced regulatory, antitrust, and general corporate law with Sidley & Austin in Chicago (1973–1976) and was Associate General Counsel of the Consolidated Rail Corporation (Conrail) in Philadelphia (1976–1977). Mr. DeMuth has taught at the Kennedy School of Government at Harvard University, and in 1981, he served as Administrator for Information and Regulatory Affairs in the U.S. Office of Management and Budget, and as Executive Director of the Presidential Task Force on Regulatory Relief during President Ronald Reagan's first term of office.



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### Visiting Speakers

#### **Michael Sarel**

Dr. Michael Sarel is the head of the Economics Team at the Kohelet Policy Forum. Previously he was the chief economist at the Israeli Ministry of Finance. From 2001-2006, he was the head of the Economics and Research Department at the Israeli Ministry of Finance. Prior to his service in the Ministry, Dr. Sarel worked as an economist with the Bank of Israel and the International Monetary Fund. He holds a B.Sc. from Hebrew University and a Ph.D. from Harvard University.

#### **Dan Senior**

Daniel S. Senior is a bestselling author, adjunct senior fellow at the Council on Foreign Relations, and co-founder and a member of the board of directors of the Foreign Policy Initiative. His most recent government position was in the administration of George W. Bush, where Mr. Senior served as chief spokesman and senior adviser to the Coalition in Iraq. One of the longest-serving civilian officials in Iraq, Mr. Senior also served as a Pentagon adviser to U.S. Central Command in Qatar and as a foreign policy and communications aide in the U.S. Senate. He has also advised a number of candidates for U.S. Senate. During the 2012 presidential election, Mr. Senior was a senior foreign policy adviser to Governor Mitt Romney. His analytical pieces have been published by the *Wall Street Journal*, the *New York Times*, the *Washington Post*, the *Weekly Standard*, *Time*, and *Newsweek*. He is co-author of *Start-Up Nation: The Story of Israel's Economic Miracle* (2011), a New York Times Business Bestseller. From 2001 to 2003, Mr. Senior worked as an investment banker at the Carlyle Group. He earned a B.A. in History from the University of Western Ontario and an M.B.A from Harvard.

#### **Luigi Zingales**

Luigi Zingales' research interests span from corporate governance to financial development, from political economy to the economic effects of culture. Currently, he has been involved in developing the best interventions to cope with the aftermath of the financial crisis. He also co-developed the Financial Trust Index, which is designed to monitor the level of trust that Americans have toward their financial system. In addition to holding his position at Chicago Booth, Zingales is currently a faculty research fellow for the National Bureau of Economic Research, a research fellow for the Center for Economic Policy Research, and a fellow of the European Governance Institute. He is also the director of the American Finance Association and an editorialist for *Il Sole 24 Ore*, the Italian equivalent of the *Financial Times*. Zingales also serves on the Committee on Capital Markets Regulation, which has been examining the legislative, regulatory, and legal issues affecting how public companies function. His work has been published in the *Journal of Financial Economics*, the *Journal of Finance* and the *American Economic Review*. His book, *Saving Capitalism from Capitalists*, coauthored with Raghuram G. Rajan, has been acclaimed as "one of the most powerful defenses of the free market ever written" by Bruce Bartlett of *National Review Online*. His latest book is *A Capitalism for the People: Recapturing the Lost Genius of American Prosperity* (Basic Books; June 2012). Born in Italy, a country with high inflation and unemployment which has inspired his professional interests as an economist, Zingales carries with him a political passion and the belief that economists should not just interpret the world, they should change it for the better. Commenting on his method



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of teaching on a few very important lessons rather than a myriad of details, Zingales says, “Twenty years from now they might have forgotten all the details of my course, but hopefully they will not have forgotten the way of thinking.” Zingales received a bachelor's degree in economics *summa cum laude* from Università Bocconi in Italy in 1987 and a Ph.D. in economics from the Massachusetts Institute of Technology in 1992. He joined the Chicago Booth faculty in 1992. In addition to teaching and researching, Zingales enjoys cooking and spending time with his children.



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**IV. Our Mutual Commitment**

Our pledge to you is that the program will be excellent and that the teachers are, in every case, among the best people in the world teaching the subjects they are teaching. Your pledge to us is that you will invest yourselves in the texts and the seminars, and do the work to the fullest extent of your talents. You have put your everyday work on hold to join us, so we know you come to us with great interest and commitment. We will insist that you continue that commitment—a commitment to attending each and every session, a commitment to coming to class on time, a commitment to doing all the readings—throughout the duration of the Institute. If anyone fails to honor his or her commitment, he or she will be dismissed from the Institute.