

Analytical Foundations of Political Economy

(POLS1465)

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Office hours: TBD

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Seminar times and location:

Monday, Wednesday, Friday - 1:00-1:50pm; Location: Watson Institute 138

Learning Goals and Objectives:

This class investigates topics in political economy. Scholars working in political economy do so with several valuable approaches, including grand historical narratives, detailed studies of economic regulation, formal models of politics, and comparative institutional analysis. This class focuses on comparative institutional approaches – understanding how institutions structure and affect economic and political activities – with a dash of simple formal models along the way.

We will discuss a collection of models to understand how individuals and groups respond to a variety of social dilemmas and to see how these change under varying institutional settings. We will discuss the collective action problem, prisoner's dilemma, coordination problem, knowledge problem, preference falsification, slippery slopes, information cascades, signaling theory, Arrow's impossibility theorem, voting models, and Madison's dilemma. The class covers some (but by no means all) of the major thinkers and works in this tradition of political economy and uses their ideas to better understand markets, society, and states.

Course Time Allocation:

Over 14 weeks, students will spend 3 hours per week in class (42 hours total), 3 hours preparing for, and participating in, discussion section (42 hours), 5 hours per week doing course reading, weekly assignments, and other out-of-class work (70 hours total). There will be two in class exams, each of which requires a minimum of 15 hours of work (30 hours total).

Assessment:

The final grade will be determined by

- Exam # 1 worth 35%
- Exam # 2 worth 35%
- Classroom discussion and participation worth 30%

To prepare for these exams, I recommend carefully reading and thinking about each of the readings and the material covered in class. I will also provide some sample questions a few weeks prior to each exam.

To receive a high grade for your classroom discussion and participation assessment, come to class having completed all of the readings, with prepared questions and comments for myself and your peers. Be a constructive, prepared, productive, respectful, and charitable participant.

Books

- Christopher Achen & Larry Bartels. (2017). *Democracy for realists: Why elections do not produce responsive government*. Princeton University Press.
- Robert Axelrod. (1984). *The evolution of cooperation*. Basic Books.
- Robert Frank & Phil Cook. (2010). *The winner-take-all society: Why the few at the top get so much more than the rest of us*. Random House.
- Kuran, T. (1997). *Private truths, public lies: The social consequences of preference falsification*. Harvard University Press.

For more on formal models, you might consult:

- Andrew Hindmoor. (2006.) *Rational Choice*. 1st Edition. Palgrave Macmillan.
- Kenneth Shepsle. (2010). *Analyzing Politics: Rationality, Behavior, and Institutions*. 2nd Edition.
- Michael Munger and Kevin Munger. (2015). *Choosing in Groups*. Cambridge University Press.
- Dennis Mueller. (2003). *Public Choice III*. Cambridge University Press.

Schedule

Week 1 (September 5, 7): Introduction and Methodology

How to create order amidst conflict and how to make the most of what we have

- Seabright, P. (2010). *The company of strangers: A natural history of economic life*. Princeton University Press. Part I: pages 17-31.
- Madestam, A., Shoag, D., Veuger, S., & Yanagizawa-Drott, D. (2013). Do political protests matter? Evidence from the tea party movement. *The Quarterly Journal of Economics*
- Erikson, R. S., & Stoker, L. (2011). Caught in the draft: The effects of Vietnam draft lottery status on political attitudes. *American Political Science Review*.

Week 2 (September 10, 12, 14): Logic of Collective Action

- Mancur Olson. (1965). *The Logic of Collective Action: Public Goods and the Theory of Groups*. Harvard University Press. Chapters 1, 2
- Ostrom, E. (2000). Collective action and the evolution of social norms. *Journal of Economic Perspectives*
- Lichbach, M. I. (1994). Rethinking rationality and rebellion: theories of collective action and problems of collective dissent. *Rationality and Society*

Week 3 (September 17, 19, 21): The Prisoner's Dilemma and Path Dependence

- Robert Axelrod. 1984. *The Evolution of Cooperation*. Basic Books. Chs. 1, 2, 4
- Pierson, P. (2000). Increasing returns, path dependence, and the study of politics. *American Political Science Review*
- Boettke, P. J., Coyne, C. J., & Leeson, P. T. (2008). Institutional stickiness and the new development economics. *American Journal of Economics and Sociology*

Week 4 (September 24, 26, 28): Signaling Theory and Slippery Slopes

- Zahavi, A. (1975). Mate selection—a selection for a handicap. *Journal of Theoretical Biology*
- Leeson, P. T. (2010). Pirational choice: the economics of infamous pirate practices. *Journal of Economic Behavior & Organization*
- Volokh, E. (2003). The mechanisms of the slippery slope. *Harvard Law Review*

Week 5 (October 1, 3): Tragedy of the Commons and Coordination Problems

** Class on October 5th is an individual exercise that you can do from home. Read the Schelling paper and then explore the logic at this webpage: <https://ncase.me/polygons/> **

- Hardin, G. (1968). The Tragedy of the Commons. *Science*
- Wilson, D. S., Ostrom, E., & Cox, M. E. (2013). Generalizing the core design principles for the efficacy of groups. *Journal of Economic Behavior & Organization*
- Schelling, T. C. (1971). Dynamic models of segregation. *Journal of mathematical Sociology*

Week 6 (October 10, 12): Preference Falsification

- Kuran, T. (1997). *Private truths, public lies: The social consequences of preference falsification*. Harvard University Press. Chapters 1, 2, 3, 10 and 7 & 13

Week 7 (October 15, 17, 19): Traditional Market Failures

- Friedman, D. (1990). “Market Failures” *Price Theory*.
- Roth, A. (2007). Repugnance as a Constraint on Markets. *Journal of Economic Perspectives*

**** Exam #1 on October 19th ****

Week 8 (October 22, 24, 26): Winner Take All Markets

- Frank, R. H., & Cook, P. J. *The winner-take-all society: Why the few at the top get so much more than the rest of us*. Random House. Chs. 1-3, 6-9

Week 9 (October 29, 31, November 2): Choosing in Groups, Arrow’s Impossibility Theorem

- Buchanan, J. M. (1954). Individual choice in voting and the market. *Journal of Political Economy*
- DeCanio, S. (2014). Democracy, the market, and the logic of social choice. *American Journal of Political Science*
- Tullock, G. (1981). Why so much stability. *Public Choice*

Week 10 (November 5, 7, 9): Is Democracy Efficient?

- Wittman, D. (1989). Why democracies produce efficient results. *Journal of Political Economy*
- Achen and Bartles, *Democracy for Realists*, Chapters 1-4.

Week 11 (November 12, 14, 16): Rent Seeking & Rent Extraction

- Tullock, G. (1967). The welfare costs of tariffs, monopolies, and theft. *Economic Inquiry*
- Tullock, G. (1975). The transitional gains trap. *The Bell Journal of Economics*
- McChesney, F. S. (2001). “Rent Seeking and Rent Extraction” in *The Elgar Companion to Public Choice*.

Week 12 (November 19): Regulatory Capture

- George Stigler. 1971. “The Theory of Economic Regulation.” *The Bell Journal of Economics and Management Science*
- Robert Ekelund and Robert Tollison. (2001). “The Interest-Group Theory of Government” in *The Elgar Companion to Public Choice*.

Week 13 (November 26, 28, 30): Congress and Bureaucracy

- Weingast, B. R., & Marshall, W. J. (1988). The industrial organization of Congress; or, why legislatures, like firms, are not organized as markets. *Journal of Political Economy*
- William A. Niskanen. (2001). “Bureaucracy” in *The Elgar Companion to Public Choice*.

Week 14 (December 3, 5, 7): Constitutional Political Economy

- Buchanan, J. M. (1990). “The domain of constitutional economics.” *Constitutional Political Economy*
- Weingast, B. R. (1997). The political foundations of democracy and the rule of the law. *American Political Science Review*.
- North, D. C., & Weingast, B. R. (1989). Constitutions and commitment: the evolution of institutions governing public choice in seventeenth-century England. *The Journal of Economic History*

**** Exam #2 ****