

Political Economy 301
Introduction to Political Economy
Tulane University
Fall 2006

Professor Mary Olson

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Office Hours: Thursday 3:15pm-4:15pm, Friday 1-2pm or by appointment

Lecture time and Location

Tuesdays and Thursdays 2:00pm – 3:15pm in Hebrt 201

Course Description

This course is designed to provide students with an introduction to the field of positive political economy. Positive political economy seeks to understand and explain policy outcomes and political behavior. The approach taken is an interdisciplinary one that utilizes tools and concepts from economics to study politics and political behavior. The course will presume that political actors are rational and goal oriented. Political outcomes are then explained by the interaction between these actors within the (institutional) constraints of their environment.

Goals

- (1) Students will apply economic theories and concepts to the study of political action and the formation of policy.
- (2) Students will learn how economic and political forces may shape the incentives and constraints of policymakers and other political actors.
- (3) Students will begin to recognize the role of institutions in shaping both political action and policy outcomes.

Prerequisites

You should take microeconomics prior to enrolling in this course. The course will be taught assuming that you have had some exposure to microeconomic theory. If you have not taken microeconomics and still want to take the course, you may want to review a good microeconomics textbook at the intermediate level (e.g. Perloff, Microeconomics). For a less mathematical presentation, see Heyne, Microeconomics: An Economic Way of Thinking.

Requirements

Exam 1	25%
Exam 2	25%
Assignments	10%
Final	40%

There will be two in-class examinations, the first on October 3rd and the second on November 7th. These exams will count for a total of 50% of your grade. In addition

to the exams, you will be required to complete two written assignments. These assignments will require you to apply the concepts discussed in class. Students will also be expected to share their applications with the rest of the class in a group discussion. Assignments will count for 10% of your grade. A final exam will be given at the end of the term during exam week and will count for 40% of your grade. Class participation is strongly encouraged and may favorably affect your grade.

Required readings

The primary text for the course is K. Shepsle and M. Bonchek, Analyzing Politics: Rationality, Behavior, and Institutions (W.W. Norton, 1997). This book presents an accessible and comprehensive introduction to the use of rational choice theory in the study of politics. Another text from which we will use several readings is W. Riker's Liberalism Against Populism (Waveland Press, 1988). You should purchase both of these texts.

Also, some additional required readings will be placed on blackboard or on electronic reserve in the library. A password will be provided in class so that you can access those articles and chapters. The web address for e-reserve is:

<http://eres.library.tulane.edu/courseindex.asp>

You select our class, enter the password, and you will be able to access the extra readings.

General Bibliography

The bibliography that follows lists a few classic texts in the field of political economy. Most of these will be referenced in our textbook for the class. If you become more interested in one or more of the topics, you may want to refer to the original texts for additional readings. However, you are not required to purchase these texts.

Ken Arrow. Social Choice and Individual Values. (Yale University Press, 1963).

Anthony Downs, An Economic Theory of Democracy (Harper and Row, 1957).

Mancur Olson, The Logic of Collective Action (Harvard University Press, 1965).

William Niskanen, Bureaucracy and Public Economics (Edward Elgar, 1995). This book is a revised version of the former Bureaucracy and Representative Government, 1971.

Douglas North. Institutions, Institutional Change and Economic Performance (Cambridge 1990). (discusses how institutions evolve and how they shape the performance of political and economic systems—North is a nobel laureate in Economics).

George Stigler. Chicago Political Economy (University of Chicago Press, 1988). (Some classic articles on regulation, interest groups, from the Chicago school perspective on political economy—some classic articles by Becker, Stigler, and Peltzman, etc).

More advanced:

Dennis Mueller, Public Choice III (Cambridge, 2003) (an almost encyclopedic coverage of public choice literature-intended for those who have training in economic theory and econometric methods).

Torsten Persson and Guido Tabellini. Political Economics: Explaining Economic Policy (MIT Press 2000) (intended more for graduate study, provides a macroeconomics perspective on political economics).

Syllabus and Course Outline

A list of topics and the associated readings for each class are provided below. Dates and number of classes for each topic, except the midterm and final, are approximate, and may be subject to change. The schedule is designed to help you anticipate future classes and deadlines.

Introduction

8/31 **Course Introduction, Overview**

9/5 **Approaches to the Study of Political Economy**

Shepsle and Bonchek, Chapters 1 and 2.

G. Stigler, "The theory of economic regulation," *Bell Journal of Economics*, Spring 1971 (pp 3-21). (Can download from JSTOR)

G. Tullock, "The costs of special privilege," *Perspectives on Positive Political Economy* (Cambridge University Press, 1990) (pp 195-211).

9/7 **Analyzing Group Choice** (2 classes)

9/12

Shepsle and Bonchek, Chapters 3 and 4

Riker, Chapter 1, 2, and 5. Liberalism against Populism.

9/14 **Spatial Models of Majority Rule** (2 classes)

9/19

Shepsle and Bonchek, Chapters 5 (pp. 82-115)

Hinich and Munger, Chapters 2 and 3. Analytical Politics (Cambridge, 1997).

9/21 **Strategic Behavior and Majority Rule**

Shepsle and Bonchek, Chapter 6
Riker, Chapter 6, 7. Liberalism against Populism.

9/26 **Applications** – Student assignment

9/28 **Voting and Elections**

Shepsle and Bonchek, Chapter 7

10/3 **Exam 1**

Understanding Collective Action

10/5 **Cooperation** (two classes)

10/10

Shepsle and Bonchek, Chapter 8
Hand-out on the prisoner's dilemma.

10/12 **Collective Action** (two classes)

10/17

Shepsle and Bonchek, Chapter 9
M. Olson, Chapter 1, *The Logic of Collective Action* (Harvard University Press, 1965).
D. Baron, Chapter 6, *Business and Its Environment* (Prentice-Hall, 1993) (pp. 138-146)

10/19 **Market Failures and Collective Action**

10/24

Shepsle and Bonchek, Chapter 10
Viscusi, Vernon and Harrington, Selected pages in chapter 10, *Economics of Regulation and Antitrust* (MIT Press, 1997) pp. 322-337.

What Role Do Institutions Play?

10/26 **Institutions and Their Impact** (two classes)

10/31

Shepsle and Bonchek, Chapter 11

- Douglass North and Barry R. Weingast, "Constitutions and Commitment: The Evolution of Institutions Governing Public Choice in Seventeenth-Century England," *The Journal of Economic History* 49 (1989): 803-832.
- 11/2 TBA
- 11/7 **Exam 2**
- 11/9 **Legislatures** (two classes)
- 11/14 Shepsle and Bonchek, Chapter 5 (pp. 115-136) and Chapter 12, M. Olson, "Political Influence and Regulatory Policy: The 1984 Drug Legislation" *Economic Inquiry* (1994) 32(3): 363-382. (Available in E-journals)
Weingast and Marshall, "The Industrial Organization of Congress" *Journal of Political Economy* (1987) 96:132-163.
- 11/16 **Bureaucracy, Delegation, and Principal Agent Theory** (2 classes)
- 11/21 Shepsle and Bonchek, Chapter 13
D.R. Kiewiet and M. McCubbins, Chapter 2. *The Logic of Delegation* (University of Chicago Press, 1991) (pp 22-38).
- 11/23 **Thanksgiving Break**
- 11/28 **Congressional Control of the Bureaucracy**
- 11/30 B. Weingast and M. Moran, "Bureaucratic Discretion or Congressional Control? Regulatory Policy Making by the Federal Trade Commission," *Journal of Political Economy*, October 1983. (Can download from JSTOR)
T. Moe, "Control and Feedback in Economic Regulation: The Case of the NLRB," *American Journal of Political Science*, 1094-1117. (Available in JSTOR)
- 12/5 **Applications** – Student Assignment
- 12/7 **Courts and Judges**
- Shepsle and Bonchek, Chapter 15
Greenhouse, "High Court Holds FDA Can't Impose Rules on Tobacco," *New York Times*, March 22, 2000.
- Final Exam** – Saturday, December 16th, 1:00pm-5:00pm