

POLITICAL ECONOMY

Professor Daniel Lin

ECON 317-001 (3 credits)

Fall 2008

SIS 203

M & Th 11:20 AM – 12:35 PM

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Office Hours: Th 2:00 – 6:45 PM & by appointment

OBJECTIVES

ECON 317 applies economics to political behavior. We will take the economic tools and assumptions used with individuals in market settings, and apply them to individuals in political settings. Using this methodology, we can model how a politician makes decisions to allocate resources, what affects an individual's decision to vote, and how different voting rules affect voting outcomes. Specific topics covered will include market failure, collective action, interest groups, rent seeking, median voter models, and rational ignorance.

I will show that the economic approach can explain unusual political phenomena. Have you wondered why politicians sometimes enact policies that differ widely from the desires of voters? Why small groups can have a disproportionately large influence in politics? Why the typical voter remains poorly informed about political issues despite increases in educational attainment? Why individuals can simultaneously be poorly informed about politics and hold political opinions with extreme certainty? This course will help you to answer these questions.

PREREQUISITES

ECON 100 – Macroeconomics

READINGS

Book – **The Economics of Collective Choice** by Joe B. Stevens

Articles – Posted on Blackboard

ACADEMIC INTEGRITY CODE

Standards of academic conduct are set forth in the University's Academic Integrity Code, which is available online at www.american.edu/academics/integrity/code.htm. By registering, you have acknowledged your awareness of the Code, and you are obliged to become familiar with your rights and responsibilities as defined by the Code. Violations of the Code will not be treated lightly, and disciplinary actions will be taken should such violations occur. Please see me if you have any questions about the academic violations described in the Code.

WRITING ASSIGNMENTS & EXAMS

There will be two writing assignments, each will be announced in class and posted on Blackboard. In addition, there will be two exams, each with short-answer and essay questions about the readings and the lectures. Each exam will focus on material covered since the previous exam.

The times and dates of the exams are in the Course Outline at the end of the syllabus. If you miss an exam, you must provide an acceptable reason and relevant documentation in a timely manner. We will schedule a make-up exam that will be MORE DIFFICULT. *Failure to follow these guidelines will result in zero points for the missed exam.*

GRADING

Scale. Each writing assignment and exam will be assigned a grade on the following scale:

93 – 100% A	87 – 89% B+	77 – 79% C+	60 – 69% D
90 – 92% A-	83 – 86% B	73 – 76% C	0 – 59% F
	80 – 82% B-	70 – 72% C-	

Weightings. Each writing assignment will be 15% of your course grade. Each exam will be 35% of your course grade. There will be NO EXCEPTIONS to these weightings.

Errors. If you find a grading error on your exam, bring the error to my attention. Requests for corrections must be made within ONE WEEK of the graded exam's return to the class.

EXTRA CREDIT

When you ask a good question, make an insightful comment, or present a thoughtful criticism of the course material, I will add 2 percentage points to your next exam. In each class meeting, you can earn a maximum of 2 percentage points. You can have a maximum of 6 percentage points applied to each exam.

EXPECTATIONS

Please provide a proper learning environment – turn off your cell phone, avoid repeated tardiness, and be courteous to other students. If you wish to make a comment, you should raise your hand. *If you repeatedly disrupt the class, I will subtract points from your next exam.*

If you are confused by the lectures or disappointed by an exam grade, you should approach me promptly for help. Improving your performance may be a time-consuming process that requires many meetings. *If you wait until the last minute to seek help, there may be nothing I can do.*

STUDENTS WITH DISABILITIES

Students who require academic accommodations due to documented disabilities should see me as soon as possible and contact Disability Support Services. All academic accommodations must be arranged through the DSS. More information is available online at www.american.edu/ocl/dss.

COURSE OUTLINE

Readings that refer to “Stevens” are from *Economics of Collective Choice*. Other readings are online, and you can find their links on Blackboard.

Introduction

- Stevens, Ch. 1 – Introduction

Market Failure

- Stevens, Ch. 2 – Efficiency and Equity As Reasons for Collective Action
- Stevens, Ch. 3 – Markets: Will They Be Efficient?
- Akerlof, “The Market for ‘Lemons’: Quality Uncertainty and the Market Mechanism”

Voluntary Solutions to Market Failure

- Stevens, Ch. 5 – Voluntary Solutions to Market Failure
- Azfar, “The Logic of Collective Action”

Voluntary Acceptance of Coercion

- Stevens, Ch. 6 – Direct (Participatory) Government
- Buchanan, “Individual Choice in Voting and the Market”

Rational Ignorance

- Stevens, Ch. 7 – Legislative Government: Part I
- Caplan, “Rational Ignorance”

Rent Seeking

- Tollison, “Is the Theory of Rent-Seeking Here to Stay?”
- Tullock, “The Transitional Gains Trap”
- McChesney, “Rent Extraction and Rent Creation”
- Lott, “Licensing and Nontransferable Rents”

The Market for Legislation

- Stevens, Ch. 8 – Legislative Government: Part 2
- Munger, “Economic Models of Interest Groups: An Introductory Survey”
- Yandle, “Bootleggers and Baptists in Retrospect”
- Shogren, “The Optimal Subsidization of Baptists by Bootleggers”

Administrative Government

- Stevens, Ch. 9 – Administrative Government: Part I
- Blais & Dion, “Are Bureaucrats Budget Maximizers? The Niskanen Model and Its Critics”

Challenge to Orthodox Public Choice

- Wittman, “Why Democracies Produce Efficiency Results”
- Caplan, “The Myth of the Rational Voter: Why Democracies Choose Bad Policies”
- Caplan, “Rational Irrationality and the Microfoundations of Political Failure”
- Brennan & Buchanan, “Is Public Choice Immoral? The Case for the ‘Nobel’ Lie”

Government Failure vs. Market Failure

- Winston, “Government Failure versus Market Failure”

Week of Aug. 25	Introduction / Market Failure
Week of Sep. 1	Market Failure
Week of Sep. 8	Voluntary Solutions to Market Failure
Week of Sep. 15	Voluntary Solutions to Market Failure
Week of Sep. 22	Voluntary Acceptance of Coercion
Week of Sep. 29	Rational Ignorance
Week of Oct. 6	Rent Seeking
Week of Oct. 13	Rent Seeking

EXAM 1: THURSDAY, OCTOBER 16, 11:20 AM – 12:35 PM

Week of Oct. 20	The Market for Legislation
Week of Oct. 27	The Market for Legislation
Week of Nov. 3	Administrative Government
Week of Nov. 10	Challenges to Orthodox Public Choice
Week of Nov. 17	Challenges to Orthodox Public Choice
Week of Nov. 24	Government Failure vs. Market Failure
Week of Dec. 1	Government Failure vs. Market Failure

EXAM 2: MONDAY, DECEMBER 8, 11:20 AM – 12:35 PM