

THE ECONOMIC ANALYSIS OF POLITICS
Syllabus Version (August 2009)

Dr. Thomas Clark Durant

Course Code: G31.3001-03

Time and Place: Monday, 4 to 6, in Room 736

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Office Hours: Mondays, 6 to 8 pm, Room 724

COURSE OBJECTIVE:

This course examines political choices, institutions and outcomes using economic tools of analysis. We will explore four impediments to good government: *the coordination problem*, how political order can be enforced (or self-enforcing) despite the lack of a 3rd party enforcer, with a focus on how constitutional democracy is initiated and maintained (or not); *the aggregation problem*, the curious difference between how we pick and how we “should” pick the best electoral rules to pick the best candidate or candidates; *the knowledge problem*, how the combination of motivational and cognitive factors with the complexity of political choice makes rational citizens ignorant or ideological, but nonetheless confident that they are well informed and responsive to new information; *the distribution problem*, how unresponsive government can be predatory and unfair, but responsive government can be captured by special or partisan interests. We will also explore *institutional remedies* for the four impediments, with a focus on individual economic and civil rights, federalism, supermajority rules, meritocratic bureaucracies, and others. The reading list will draw on Public Choice, Social Choice, New Institutionalism and Behavioral Economics.

Classes will focus on a combination of lecture and discussion of assigned readings. Students will be expected to learn the literature presented in class, to think critically and analytically and to present and defend ideas clearly and rigorously.

ASSIGNMENTS:

Participation. You are expected to have done the readings for that day and to contribute actively to the discussion. I will use a "present and participating" policy to assess class participation. Email me the day of the class to tell me whether you will be participating. After the first class, you must opt to participate ten times in the remaining thirteen classes (i.e. you get three free passes). If I don't hear from you, I will assume you are using a pass. Stand up and be counted!

Presenting the reading. You are expected to present one of the assigned papers or chapters in class one time during the semester. The presentation will entail a simple five-minute summary, and questions and criticisms to prompt discussion. The presentation must be casual, delivered from your chair, no PowerPoint permitted.

Short writing. At two times throughout the semester, I will assign short writing assignments relating the concepts treated in class to on-going events outside the classroom (~5 pages).

Writing and presenting original research. At the end of the semester you will write a research paper that surveys the literature on the theme or problem of your choice. The paper should be AT MOST thirty pages, with standard spacing and font-size, including the

bibliography. The last three class sessions will be devoted to twenty minute presentations: ten minutes presenting your original research, and another ten minutes for the rest of us to ask questions and make comments.

GRADES:

I will use the standard grading scale (A>90%, B>80%, C>70%...) and I do not intend to curve the grading. Your grade will be based on the following:

- 20% <= Class participation ("present and participating" ten of twelve times)
- 10% <= One class presentation of the reading
- 20% <= Two short writing assignments
- 10% <= One class presentation of your research paper
- 40% <= Research paper

THE READING LIST AND CLASS SCHEDULE

Books to Buy:

Required:

- Robert Bates. 2008. *When Things Fell Apart: State Failure in Late-Century Africa*.
- Douglass North, John Wallis and Barry Weingast. 2009. *Violence and Social Orders: A Conceptual Framework for Interpreting Recorded Human History*.
- Bryan Caplan. 2007. *The Myth of the Rational Voter*.
- William Poundstone. 2008. *Gaming the Vote: Why Election Aren't Fair (and What We Can Do About It)*.

Recommended:

- Russell Hardin. 2003. *Liberalism, Constitutionalism, and Democracy*.
- Elinor Ostrom. 2005. *Understanding Institutional Diversity*.

Class #1 -- September 14th:

Course Overview

Topic 1: The Coordination Problem – How Political Order Is Initiated and Maintained or Not

Due Class #2 -- September 21st:

- Bates, Robert. 2008. *When Things Fell Apart: State Failure in Late-Century Africa*. All chapters. pp. 3 - 139.
- Rajan, Raghuram. 2004. "Assume Anarchy? Why an orthodox economic model may not be the best guide for policy." *Finance & Development*.
URL: <http://www.imf.org/external/pubs/ft/fandd/2004/09/pdf/straight.pdf> (two pages)

Due Class #3 -- September 28th:

- North, Wallis and Weingast. 2009. *Violence and Social Orders*. Chapters 1-4. pp. 1 – 147.
- Hardin, Russell. 2003. *Liberalism, Constitutionalism, and Democracy*. Chapter 1, "Mutual Advantage." pp. 1 – 40.

Due Class #4 -- October 5th:

- North, Wallis and Weingast. 2009. *Violence and Social Orders*. Chapters 5-7. pp. 148 – 272.
- Hardin, Russell. 2003. *Liberalism, Constitutionalism, and Democracy*. Chapter 2, "Liberalism: Political and Economic." pp. 41 – 81.

Topic 2: The Aggregation Problem – the Quest to Pick the Best Way of Picking the Best Candidate

Due Class #5 -- October 12th:

- Poundstone, William. 2008. *Gaming the Vote*. Chapters 1 – 6. pp. 3 – 132.
- Rae, Douglas. 1995. "Using District Magnitude to Regulate Party Competition." *Journal of Economic Perspectives* 9(1): 65 – 75.

Due Class #6 -- October 19th:

- Poundstone, William. 2008. *Gaming the Vote*. Chapters 7 - 17. pp. 133 - 284.
- Downs, Anthony. 1957. "Economic Theory of Political Action in a Democracy." *Journal of Political Economy* 2: 135-150.

Topic 3: The Knowledge Problem – Ignorance, Irrationality and Ideology are Rational Responses to Motivational and Cognitive Constraints in a Complex Task-Environment

Due Class #7 -- October 26th:

- Caplan, Bryan. 2007. *Myth of the Rational Voter*. Introduction - Chapter 4. pp. 1 – 113.
- George Akerlof. 1989. "The Economics of Illusion." *Economics and Politics* 1(1): 1 – 15.
- Kirchgassner and Pommerehne. 1993. "Low-cost decisions as a challenge to public choice." *Public Choice* 77: 107-115.

Due Class #8 -- November 2nd:

- Caplan, Bryan. 2007. *Myth of the Rational Voter*. Chapter 5 - Conclusion. pp. 114 – 210.
- Converse, Philip. 1964[2006]. "The Nature of Belief Systems in Mass Publics". *Critical Review* 18(1-3): 1 - 74
- Friedman, Jeffrey. 2006. "Democratic Competence in Normative and Positive Theory: Neglected Implications of 'The Nature of Belief Systems in Mass Publics'". *Critical Review* 18(1-3): R1 - R44

Topic 4: The Distribution Problem – the Social Benefits of Fairness and Participation, the Social Costs of Rent-Seeking and Control-Seeking

Due Class #9 -- November 9th:

- Schelling, Thomas. 1956. "An Essay on Bargaining." *American Economic Review* 46(3): 281 – 306.
- Schelling, Thomas. 1957. "Bargaining, Communication, and Limited War." *Journal of Conflict Resolution* 1(1): 19 – 36.
- Heckathorn and Maser. 1987. "Bargaining and Constitutional Contracts." *American Journal of Political Science* 31: 142 – 168.
- Tullock, Gordon. 1967. "The Welfare Costs of Tariffs, Monopoly and Theft." *Western Economic Journal* 5: 224 – 232. (WEJ => *Economic Inquiry*)
- Bueno de Mesquita, Smith, Siverson, and Morrow. 2007. *The Logic of Political Survival*. Chapter 1: "Reigning in the Prince." pp. 1 – 36.

Topic 5: Institutional Remedies for the Coordination, Aggregation, Knowledge and Distribution Problems?

Due Class #10 -- November 16th:

- Ostrom, Elinor. 2005. *Understanding Institutional Diversity*. Chapters 1 – 2. pp. 1 – 68
- James Madison. *The Federalist* #10, #37, #38, #51
- Bednar, Jenna. 2009. *The Robust Federation: Principles of Design*. Chapter 1: "Constituting the Robust Federation." pp. 1 - 17.
- Axelrod, Robert and Robert Keohane. 1985. "Achieving Cooperation Under Anarchy: Strategies and Institutions." *World Politics* 38(1): 226 – 254.
- Heiner, Ron. 1983. "The Origins of Predictable Behavior." *American Economic Review* 73(4): 560 – 595.
- Pronin, Gilovich and Ross. 2004. "Objectivity in the Eye of the Beholder: Divergent Perceptions of Bias in Self Versus Others." *Psychological Review* 111(3): p. 781 – 799.

Presentations of Original Research

Due Class #11 -- November 23rd:

Class presentations

Due Class #12: November 30th:

Class presentations

Due Class #13: December 7th:

Class presentations

*****Final Papers Are Due on December 14th by Midnight.*****