POLS 4072

Political Economy

FALL 2020

Course Description: An introduction to the relation between government and the economy. Topics include liberal versus conservative approaches to economic policy, the impact of economic conditions on election outcomes, and the balance between markets and the public sector. The course helps students evaluate different ideological conceptions of government's role in society.

Prerequisite: POLS 1101, POLS 1105H, or POLS 1101e
Tuesday and Thursday, 11:10 - 12:25

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Political economy is the study of how governments affect people's economic wellbeing, and how in turn economic conditions affect government policy and even survival. This course starts with the assumption that individuals in the market and in government behave rationally. This assumption is used to explain important aspects of elections, Social Security, and economic, environmental, and tax policy. The conclusions we reach about politics in these areas are not only interesting in their own right but often contradict what ordinary intuition might suggest. Moreover, by tracing the rationality assumption through to its logical consequences, students should develop a better understanding of how institutions work and why particular policies fail or succeed. A background in economics is *not* a prerequisite for this course.

These required books are available at the University Bookstore:

Michael C. Munger, *Analyzing Policy* [M]

Daniel Shaviro, *Making Sense of Social Security Reform* [S]

The following is a guide to the assignments. The date given is the date due. Note that the course syllabus is a general plan for the course; deviations announced to the class by the instructor may be necessary. *Classes will be held using Zoom. Therefore, you will need a device allowing you to access our class meetings. If you have not received an invitation to the Zoom meetings for this course, please email the instructor.*

I. Introduction

   August 20

II. The Market, Technocrats, and Democracy

   August 25 M, Ch. 3
   September 1: M, Ch. 7 (you can skip pp. 217-21 and
       225-28; note: the top two panels of Figure 7.14 are incorrect)
   September 10: M, Ch. 4 (note: the book's answer to Q. 4.b is
       incorrect)

III. Skill Building: Discounting for Risk and Time

   September 22: M, Ch. 9 (you can skip pp. 286-307)
   October 1: M, Ch. 10 (you can skip pp. 337-42; also see
       corrections on pp. 4 - 5 below)
   October 13: M, Ch. 11

October 15: FIRST EXAM (exam will be administered through the POLS
   4072 course link on eLC)

October 20: Exam returned and discussed

IV. Policy Application: Social Security

   October 22: S, Ch. 1; M, pp. 271-79
   October 27: S, Ch. 2
   November 3: S, Ch. 3
   November 10: S, Chs. 4 & 5; M, pp. 227-28 and 337-42
   November 24: S, Ch. 6
   December 1: S, Ch. 7
   December 3: S, Ch. 8

December 4: PAPER DUE (by 5:00 PM)

December 15, 12:00 - 1:30 PM: Final (exam will be administered through
   the POLS 4072 course link on eLC)

Paper

   You should select an article, collection of articles, blog post or series of
blog posts, book, or book chapter, not assigned in class, that *argues* for some
particular policy as a solution to some political economic problem (crime,
pollution, healthcare, or army recruitment, for example). Since your selections
should *argue* for a particular policy, the actual text of a bill or a law is an
inappropriate selection. Your task is to criticize this argument *using the*

political economy perspective studied in class. Your aim, in other words, is *not* to provide a summary of the additional reading but a critique of it. Specifically, you should demonstrate that the proposal does not adequately recognize the consequences that ensue if individuals do in fact behave rationally. Argue that the proponent does not fully appreciate the costs of such a policy and/or that because people are rational, the results will be contrary to what the proponent expects. Be sure, then, to select readings that are appropriate for the particular assignment. Note that you should criticize the proposal as being a weak proposal even if it were implemented. An appropriate criticism is *not* that the proposal could not become law for political reasons.

The purpose of the paper is to demonstrate your ability to apply the academic material from this course to an issue of general and genuine concern. It will be graded based on the extent to which the paper reflects the analytical approach studied in class, the depth of your criticisms, the clarity of your argument, and the fairness with which you represent the author's views. In short, think of the paper as a third exam.

The paper must be a *Word* document and should run 4-5 double-spaced pages. Everything quoted or otherwise used should be properly cited in the paper, including the author(s), title, publisher for books, journal name and volume number for articles, or web address for net documents, and page numbers. **If you analyze an article, book chapter, or item from the net you should also attach a copy**. **Any paper submitted late, but by December 7, 2020, will lose 10 points. Any paper later than that will be treated as though the assignment were not completed. Please email your paper as a *Word* attachment using the subject line "POLS 4072 paper." The filename should include your name.**

Treat this paper like an exam: its purpose is to allow you another opportunity, in another format, to demonstrate your understanding of the class material.

Grades

Your grade for the semester will be based on a weighted average of the grades on your first exam (35%), second exam (40%), and your paper (25%). The exams are not cumulative. Your numerical course average will be adjusted upward by 0 to 3 points based on the quality of your class participation.

The final calculation of your course grade is based on:

$92 \leq$ **A** ≤ 100; $90 \leq$ **A-** < 92; $87 \leq$ **B+** < 90; $82 \leq$ **B** < 87; $80 \leq$ **B-** < 82; $77 \leq$ **C+** < 80; $70 \leq$ **C** < 77; $68 \leq$ **C-** < 70; $60 \leq$ **D** < 68; **F** < 60.

No make-ups will be given unless a legitimate excuse for absence is presented and accepted prior to the exam.

All academic work must meet the standards contained in "A Culture of Honesty": "I will be academically honest in all of my academic work and will not tolerate academic dishonesty of others." A Culture of Honesty, the University's policy and procedures for handling cases of suspected dishonesty, can be found at www.uga.edu/ovpi. If there is any doubt in your mind concerning the application of some regulation, you should see me. Otherwise assume the broadest interpretation of dishonesty.

Mental Health and Wellness Resources:
• If you or someone you know needs assistance, you are encouraged to contact Student Care and
Outreach in the Division of Student Affairs at 706-542-7774 or visit https://sco.uga.edu/. They will
help you navigate any difficult circumstances you may be facing by connecting you with the
appropriate resources or services.
• UGA has several resources for a student seeking mental health services (https://www.uhs.uga.edu/bewelluga/bewelluga) or crisis support (https://www.uhs.uga.edu/info/emergencies).
• If you need help managing stress anxiety, relationships, etc., please visit BeWellUGA
(https://www.uhs.uga.edu/bewelluga/bewelluga) for a list of FREE workshops, classes, mentoring,
and health coaching led by licensed clinicians and health educators in the University Health Center.
• Additional resources can be accessed through the UGA App.

Corrections to M, Ch. 10

There are several serious typos in this chapter.

1. The expression at the bottom of p. 330 should be:

$$PV_1 = \sum_{t=1}^{20} \left[\frac{\$1000}{(1+0.10)^t} \right] = \$8,513.56$$

2. The statement at the top of p. 332 should be:

$$If \quad 0 < \rho < 1, \quad then \quad Lim_{N\to\infty} \sum_{i=1}^{N} \rho^i = \frac{\rho}{1-\rho}.$$

3. The equation at the top of p. 336 should be:

$$Net \quad PV = \underbrace{-2m - \frac{2m}{1+d}}_{\substack{Construction \\ costs}} + \underbrace{\frac{500k}{(1+d)^2} - \frac{50k}{(1+d)^2}}_{Year \quad 3} + \underbrace{\left(\frac{100k - 50k}{d} - \sum_{t=1}^{2} \frac{100k - 50k}{(1+d)^t} \right)}_{\substack{Permanent\,benefits\,and \\ maintenance\,costs,\,after \\ years\,1 - 3\,(subtracted)}}.$$

4. In Figure 10.1, p. 338, the IRR for Project 1 is the IRR for Project 2 and vice versa.

5. On p. 349 the equation after "Subtract the second expression from the first" should be:

$$1 - \frac{1}{1+d}PV = \frac{1}{1+d}\left(1 - \frac{1}{(1+d)^N} \right).$$

6. The equation on the top of p. 350 should be:

$$PV = \frac{1 - (1+d)^{-N}}{(1+d)\left(\frac{1+d-1}{1+d} \right)}.$$

7. The answer given in the text to problem 1a, p. 347 is:

$$\sum_{i=6}^{15} \frac{\$500}{(1.15)^i} - \$1000 = \$247.60.$$

Therefore, the analogous answer to problem 1b should be:

$$\sum_{i=1}^{3} \frac{\$500}{(1.15)^i} - \$1000 = \$141.61.$$

And the analogous answer to problem 1c should be:

$$\sum_{i=1}^{\infty} \frac{\$200}{(1.15)^i} - \$1000 = \$333.33.$$