



present summaries of your responses to the class. The fifth paper should apply course concepts to a topic of your choice. It may be up to six double-spaced typed pages in length. The fifth paper may be submitted at any time, though no later than **May 2**. If you submit your paper before **April 18**, then you may rewrite and resubmit based on my comments. I urge you to discuss your ideas for the fifth paper with me.

### Readings

I recommend that you purchase the following two books from the University Bookstore:

Kenneth A. Shepsle and Mark S. Bonchek, *Analyzing Politics: Rationality, Behavior, and Institutions* (New York: W. W. Norton & Company, 1997).

Mancur Olson, *Power and Prosperity: Outgrowing Communist and Capitalist Dictatorships* (New York: Basic Books, 2000).

We will also read a number of articles and book chapters. These will be put on reserve in the College Library.

### Tentative Schedule

#### Course Overview (January 22)

Discussion of course objectives and how we will try to achieve them.

#### Neoclassical Foundations of Political Economy (January 24, 29, and 31)

##### a. Individual rationality

Shepsle and Bonchek, Chapters 1 and 2

##### b. Markets and market failures

Shepsle and Bonchek, Chapter 10

Olson, Chapter 3

Recommended: David L. Weimer and Aidan R. Vining, *Policy Analysis: Concepts and Practice* 3<sup>rd</sup> edition (Upper Saddle River, New Jersey: Prentice Hall, 1999), Chapters 4 and 5.

Discussion question: Select a particular social problem that can be modeled as a market failure. Discuss several generic public policies that government might pursue in an attempt to correct the market failure. (You may want to consult Weimer and Vining, Chapter 9.)

### **Overview of the Positive Theory of the State** (February 5)

Olson, Chapters 1 and 2

Discussion question: In *The Rise and Decline of Nations* (New Haven, CT.: Yale University Press, 1982), Chapter 4, Mancur Olson developed the concept of encompassing interests. Discuss his application of this concept to his explanation for the rapid economic recovery of the Japan and the Federal Republic of Germany after the Second World War.

### **The Problem of Social Choice: Arrow's General Possibility Theorem** (February 7)

Shepsle and Bonchek, Chapters 3 and 4

Discussion question: In *Liberalism Against Populism* (San Francisco, CA: W. H. Freeman and Company, 1982), particularly Chapter 10, William H. Riker explores the implications of Arrow's Theorem for democratic theory. Discuss why he favors the liberal over the populist interpretation of democracy.

### **Spatial Modeling of Majority Rule** (February 12 and 14)

- a. Median voter theorem
- b. Structurally induced equilibria

Shepsle and Bonchek, Chapter 5

Discussion question: Referring to Jeffrey S. Hill, "Why So Much Stability? The Impact of Agency Determined Stability," *Public Choice*, 46:3 (1985), 275-287, discuss why a legislative committee may allow an administrative agency to change legislative policy during its implementation.

### **Strategic Behavior and Agenda Control** (February 19 and 21)

Shepsle and Bonchek, Chapter 6

William H. Riker, *The Art of Political Manipulation* (New Haven, CT: Yale University Press, 1986), Chapter 7: "Pliny the Younger on Parliamentary Law."

Discussion question: Consider Rodney Fort, "Direct Democracy and the Stadium Mess, in Roger

G. Noll and Andrew Zimbalist, editors, *Sports, Jobs, and Taxes: The Economic Impact of Sports Teams and Stadiums* (Washington, D.C.: Brookings Institution Press, 1997), pp. 148-177. How can agenda control be exercised in referenda?

### **Spatial Models of the Electorate** (February 26)

Recommended: Anthony Downs, *An Economic Theory of Democracy* (New York: Harper & Row, 1957), Chapters 7 and 8.

Discussion question: In “An Era of Divided Government,” *Political Science Quarterly*, 107:3 (1992), Morris Fiorina offers an explanation for split-ticket voting. Review his explanation and its testable implications.

### **Introduction to Game Theory** (February 28 and March 5)

a. Equilibrium in common one-play games

Shepsle and Bonchek, Chapter 8

b. Equilibrium in repeated games and the rational choice theory of institutions

### **Midterm Examination** (March 7)

#### **Overview of Representative Government** (March 19 and 21)

a. Diffuse and concentrated interests

Shepsle and Bonchek, Chapter 9

Olson, Chapter 4

b. Voting

John H. Aldrich, “Rational Choice and Turnout,” *American Journal of Political Science*, 37:1 (1993), pp. 246-278.

c. Rent-seeking

Robert D. Tollison, “Rent Seeking: A Review,” *Kyklos*, 35:4 (1982), pp. 575-601.

d. Institutions

Shepsle and Bonchek, Chapters 12-15

**Regulation** (March 26 and 28)

James Q. Wilson, editor, *The Politics of Regulation* (New York: Basic Books, 1980), Chapter 10, 357-394.

Douglas D. Heckathorn and Steven M. Maser, "Bargaining and the Sources of Transaction Costs: The Case of Government Regulation," *Journal of Law, Economics, and Organization*, 3:1 (1987), 69-97.

Discussion question: Consider Morris M. Kleiner, "Occupational Licensing," *Journal of Economic Perspectives*, 14:4 (2000), 189-202. What are the normative rationales and positive explanation for occupational licensing?

**Politics of Trade** (April 2 and 4)

Robert D. Putnam, "Diplomacy and Domestic Politics: The Logic of Two-Level Games," *International Organization*, 42:3 (1988), 427-460.

Discussion question: Consider Douglas A. Irwin and Randall S. Kroszner, "Interests, Institutions, and Ideology in Securing Policy Change: The Republican Conversion to Trade Liberalization after Smoot-Hawley," *Journal of Law and Economics*, 42:2 (1999), 643-673. Why did the Republican Party embrace trade liberalization after the Second World War?

**Property Rights and Property Regimes** (April 9 and 11)

## a. Characteristics

David L. Weimer, editor, *The Political Economy of Property Rights: Institutional Change and Credibility in the Reform of Centrally Planned Economies* (New York: Cambridge University Press, 1997), Chapter 1, 1-19.

## b. Origins

Harold Demsetz, "Toward a Theory of Property Rights," *American Economic Review*, 57:2 (1967), 347-359.

William H. Riker and Itai Sened, "A Political Theory of the Origin of Property Rights: Airport Slots," *American Journal of Political Science*, 35:4 (1991), 951-969.

Discussion question: Consider Fred S. McChesney, "Government as Definer of Property Rights: Indian Lands, Ethnic Externalities, and Bureaucratic Budgets," *Journal of Legal Studies* 19:2 (1990), 297-335. Evaluate his explanation for changing policies toward the privatization of tribal lands.

Discussion question: Consider Hernando de Soto, *The Other Path* (New York: Harper & Row, 1989), Chapter 2, 17-57. Interpret the creation of housing in Peru in terms of the theories of the origin of property rights.

### **The Problem of Credibility** (April 16 and 18)

Daniel Diermeier, Joel M. Ericson, Timothy Frye, and Steven Lewis, "Credible Commitment and Property Rights: The Role of Strategic Interaction between Political and Economic Actors," in David L. Weimer, editor, *The Political Economy of Property Rights* (New York: Cambridge University Press, 1997), pp. 20-42.

Discussion question: Consider Douglass C. North and Barry R. Weingast, "Constitutions and Credible Commitments: The Evolution of the Institutions of Public Choice in 17th Century England," *Journal of Economic History*, 59:4 (1989), 803-832. Discuss changes in the credibility of property rights in England after the Glorious Revolution.

Discussion question: Consider Hilton Root, "Tying the King's Hands: Credible Commitments and Royal Fiscal Policy During the Old Regime," *Rationality and Society*, 1:2 (1989), 240-258. How did corporate lending increase the credibility of property rights in pre-revolutionary France?

### **Economic Consequences of Property Rights** (April 23 and 25)

#### a. Economic growth

Johan Torstensson, "Property Rights and Economic Growth: An Empirical Study," *Kyklos*, 47:2 (1994), 231-247.

#### b. Organizational performance

Aidan R. Vining and Anthony E. Boardman, "Ownership Versus Competition: Efficiency in Public Enterprise," *Public Choice*, 73:2 (1992), 205-239.

Discussion question: Consider Elinor Ostrom, *Governing the Commons: The Evolution of Institutions for Collective Action* (New York: Cambridge University Press, 1990), Chapter 3, 58-102. Illustrate the elements that Ostrom proposes as important for long-enduring common property resource institutions.

Discussion question: Consider Bruno S. Frey and Heinz Buhofer, "Prisoners and Property Rights," *Journal of Law and Economics*, 31:1 (April 1988), 19-46. What have been the implications of changes in property rights to military prisoners on their treatment? How have states responded to these changes?

**Property Rights in Communist and Post-Communist Countries** (April 30 and May 2)

Olson, Chapters 7-10.

John H. Moore, "Agency Costs, Technological Change, and Soviet Central Planning,"  
*Journal of Law and Economics*, 24:3 (1981), 189-214.

Jan Winiecki, "Why Economic Reforms Fail in the Soviet System: A Property Rights  
Perspective," *Economic Inquiry*, 28:2 (1990), 195-221.

Timothy Frye, "Caveat Emptor: Institutions, Contracts and Commodity Exchanges in  
Russia," in David L. Weimer, editor, *Institutional Design* (Boston: Kluwer  
Academic, 1995), pp. 37-62.

**Discussion of Papers** (May 7 and May 9)**Final Examination** (May 14)