

## **PUBP 3020      APPLIED POLITICAL ECONOMY**

Prerequisites: ECON 2016 (Microeconomics), PUBP 2020 (Political Processes), PST 2020 (Philosophy and Policy), PUBP 2030 (Organizations and Policy)

This course focuses on the interactions of politics and economics, and on the impact of that relationship on public policy. To some, “political economy” means the study of political phenomena using the tools of economic analysis (e.g., rational choice, utility maximization). To others, it means examining the weaknesses of the market in allocating resources appropriately (according to political, ethical, or social goals). And some look at “political economy” as a study of power, particularly how economic power undermines the political power of individuals, groups, or social classes.

Here we touch on all of these, but we focus primarily on how politics and economics – in theory and in practice – affect the actual policy decisions of government. Ideas clearly matter in policymaking: policy problems often are framed and disputed in terms such as participation, equity, efficiency, costs, risks, development, and fairness. Political economy offers a set of conceptual and methodological tools for untangling many of these issues.

Building on prerequisites in organizational behavior, politics and policy processes, and microeconomics, students will examine both theoretical perspectives and applications of political economy to very real current policy issues. At the end of the course, students will have a sophisticated perspective on policy debates that will have direct applicability whether they pursue law, government, or business careers.

### **Suggested Course Outline**

1. Politics, economics, and the public interest
  - a. Approaches to political economy
    1. Classical approaches (Smith, Ricardo, Marx, Keynes)
    2. Neoclassical approaches (Friedman, Becker, Hayek, Olson)
  - b. Market failures
  - c. Transaction costs
2. Economic approaches to politics; implications for policy
  - a. Rational choice (Schelling, Nash, etc.)
  - b. Preference aggregation (Arrow, Condorcet, etc.)
  - c. Public choice (Buchanan, Tullock, Yandle, etc.)
3. Political approaches to economics (power, agenda, interests); implications for policy (Tufte, Kiewiet, Hibbs)
  - a. Political economy theories of ideology and political culture
  - b. Information, participation, and influence over policy
  - c. Regulatory theory (public interest, capture, competition, etc.)
  - d. Exit, voice, and loyalty
4. Justice-centered theories (market rights v. property rights v. political rights, etc.); implications for policy (Rawls, Sunstein)
5. Rationality, decision making, biology, and policy choice (Kahneman and Tversky, Simon, Dawkins)
6. Corporatism: power, globalization, and markets (Schmitter, Berger)
7. Institutional design and policy outcomes (March and Olson)
  - a. Networks, agents, and interactions (North, Axelrod, Miller)
  - b. Collective action and the commons: (M. Olson, Hardin, Ostrom)
8. Growth and Sustainability
  - a. Economic and technological growth: (Solow, Romer)
  - b. Growth and environmental quality: (Stiglitz)
  - c. Systems, endogeneity, etc. (Rogowski)
  - d. Risk, public goods, and public bads (Beck)
9. Industrialization and development (Sen, Rosenberg and Birdzell)
  - a. The decline of "national" political and economic systems
  - b. The impact of multinational institutions on policy
10. The distribution of wealth and opportunities (Dahl and Lindblom, Bartel, Roemers, Jacobs and Skocpol)
  - a. Political economy and winners and losers
  - b. Political economy and fairness