

Economics 405 (L01) (POLITICAL ECONOMY)

Instructor: John R Boyce
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Lecture Location: ST127
Lecture Days/Time: T/R 17:00-18:15

Office: SS412
Office Hours: T/R 13:00-14:00

(Fall 2021)

Course Description:

The objective of this course is to provide an introduction to the major ideas from public choice and from social choice theory. The course begins by introducing students to models of anarchy, showing how and what form of government might arise in such models. Then we critically examine a subset of the major arguments for government, including public goods, externalities, and asymmetric information, introducing students to arguments about whether such problems can or cannot be solved by private individuals alone, and what role government can and does play in such situations. Then we examine models in which various degrees of public input are required for political decisions, ranging from none (dictatorship) to all (unanimity). Then we turn to systems under which majority rule is used. We first examine the positive characteristics of majority rule, including the problem of 'cycling' of social preferences, strategic behavior in voting, vote trading (logrolling), agenda control, and open and closed voting rules. Then we examine normative properties of majority rule, from Condorcet's Jury Theorem through Arrow's and May's theorems. Then we examine both simple (e.g., sequential votes) and complicated (mechanism design) alternatives to majority rule. Next, we examine political competition in representative democracies, examining both first-past-the-post (simple plurality) systems and in proportional representation systems, and discuss the problems and economic outcomes under each. Then we turn to bureaucracy, federalism, the court system, models of legislative organization, and the paradox of voting, showing how governments operate in practice. The course concludes by first talking about rent-seeking in the context of government grants, and then discusses theory and evidence from the Stigler/Peltzman models of economic regulation, the Becker models of interest group competition, and the common agency models of government policy choice in the presence of interest group competition. Time permitting, we shall examine constitutions, just and utilitarian social contracts, and other topics in social welfare.

Course Learning Outcomes:

Students who successfully complete this course will:

- (i) Understand and appreciate the history, rationale, and functioning of modern governments.
- (ii) Understand and appreciate key principles, theories and ideas in political economy literature including:
 - a. Market failure and redistribution rationales for existence of governments;
 - b. What economic conditions prevail absent a state
 - c. The evidence on extractive versus inclusive governments and economic performance
 - d. The evidence on how governments tax and spend.
 - e. Why Majority Rule? From Unanimity to Dictatorship

- f. Positive and Normative properties of majority rule: From Condorcet Paradox to Arrow's Theorem
 - g. Median Voter Theorem, Agenda Control, and Strategic Behaviour in Voting Systems
 - h. Alternatives to Majority Rule: Simple Alternatives such as Sequential, Borda, Approval
 - i. Complicated Alternatives to Majority Rule such as Clarke-Groves and Tullock Tideman truthful revelation mechanisms.
 - j. Political Competition in First-Past-The-Post systems; including voter alienation theories of voter turnout and evidence of effectiveness of political competition.
 - k. Political Competition in Proportional Representation Systems; including coalition formation, coalition stability, and impact on government spending.
 - l. Federalism: Understanding how central and provincial governments interact.
 - m. Bureaucracy: Understanding theories of bureaucracy, legislative oversight, and evidence on effectiveness of bureaus.
 - n. Rent-Seeking: Understanding the social value of a government grant or license, and the implications this has upon evaluating the dead-weight loss from monopoly, and understanding why some countries are poorer than others.
 - o. Economic theories of regulation, including the Stigler/Peltzman economic theories of regulation, Olson's theory of interest group formation, Becker's theory of interest group competition, and modern common agency models of interest group competition.
- (iii) Be able to apply the key principles in the political economy literature to analyse, critique, and craft regulatory institutions, processes, and policies.
- * Assess the strengths and weaknesses of different regulatory policies
 - * Assess the strengths and weaknesses of different regulatory institutions
 - * Assess the strengths and weaknesses of different government systems

Course Outline:

Origins of the State:

Worlds absent a state: anarchy

Extractive vs. Inclusive states – using the 'monopoly on legitimate use of violence'

Efficiency reasons for the state – Public goods, externalities, asymmetric information

Redistribution reasons for the state – insurance and utilitarian redistribution

How governments tax and spend

Public Choice in a Direct Democracy:

Choice of a voting rule

Majority rule: positive properties

Majority rule: normative properties

Simple alternatives to majority rule

Complicated alternatives to majority rule

Public Choice in a Representative Democracy:

Two-party competition – first-past-the-post systems

Multi-party competition – proportional representation systems

Federalism

The paradox of voting

Rent-seeking

Interest groups, lobbying, and contributions

Bureaucracy

Legislative organization

Judicial system

Topics in Social and Public Choice:

Gerrymandering – choosing the voters

Social welfare functions and Arrow's Theorem
 Dictatorship
 Just social contracts
 Constitution as a utilitarian contract
 Liberal rights and social choices

Prerequisites/corequisites:

Economics 357 and 359

Required Textbook(s):

Introduction to Political Economy, John R. Boyce. A PDF version is available on D2L.

Recommended Textbook(s):

Public Choice III, Dennis C. Mueller, Cambridge University Press, 2003 (an advanced text on the subject)

Desire2Learn:

This course will make use of the Desire2Learn (D2L) platform. Students who are registered in the course can log on at <http://d2l.ucalgary.ca> through their student centre. Please note that D2L features a class e-mail list that may be used to distribute course-related information. These e-mails go to your University of Calgary e-mail addresses only.

Lectures:

Lectures will be delivered in person at the Registrar scheduled times. The lecture notes will be posted to D2L, but not the lecture itself, unless the University forces all courses to go on-line.

Grade Determination and Examination Details:

ASSIGNMENT 1 (Due 17:00 Friday, 24 September)	10%
ASSIGNMENT 2 (Due 17:00 Friday, 15 October)	10%
ASSIGNMENT 3 (Due 17:00 Friday, 19 November)	10%
ASSIGNMENT 4 (Due 17:00 Friday, 3 December)	10%
MIDTERM EXAMINATION (Thursday, 28 October)	25%
FINAL EXAMINATION (Registrar scheduled)	35%
	100%

The official grading system will be used. See <http://www.ucalgary.ca/pubs/calendar/current/f-1-1.html>.

Students must receive a passing grade on the final exam to pass the course.

If a student's letter grade on the final exam exceeds their midterm letter grade, the weight of the midterm may be transferred to the final exam at the discretion of the instructor. This does not apply to assignments. The student must have written the midterm or provided supporting documentation for the absence such as a medical note or statutory declaration.

As per the Writing Across the Curriculum Statement in the Calendar, writing and grading thereof will be a factor in the evaluation of student work. See <https://www.ucalgary.ca/pubs/calendar/current/e-2.html>.

Course material dealing with a particular assignment will typically be covered in class at least 2 days before the assignment is due; thus, assignments can be completed at any time up to and including the due date. Given these factors, only situations where someone can document illness or domestic affliction for an extended period (i.e., the entire 14 days prior to the due date) would possibly warrant shifting the assignment weight to the final exam. Furthermore, technical problems can be expected to occur with computer systems (and internet availability) so it may be a good idea to not wait until the last minute to submit your assignment.

The final examination will be comprehensive, and scheduled by the Registrar. The exam will last TWO hours and is CLOSED book.

All other course components will also be accessed, submitted, and returned through D2L.

If a student cannot write their final exam on the date assigned by the Registrar's Office, they need to apply for a deferred exam <https://www.ucalgary.ca/pubs/calendar/current/g-6.html>. Under no circumstance will this be accommodated by the Department.

Tests and exams WILL NOT involve multiple choice questions and / or fill-in-blank questions

THERE WILL BE NO MAKEUP OR DEFERRED ASSIGNMENTS/EXAMS under any circumstances, nor may the exams be written early. Students unable to write the exams because of documented illness, family emergency, religious observance, or university-sanctioned event will have the weight shifted to the final examination; otherwise a grade of zero will be assigned.

Reappraisal of Grades:

For Reappraisal of Graded Term Work, see Calendar I.2

<http://www.ucalgary.ca/pubs/calendar/current/i-2.html>

For Reappraisal of Final Grade, see Calendar I.3

<http://www.ucalgary.ca/pubs/calendar/current/i-3.html>

Academic Misconduct:

Academic Misconduct refers to student behavior that compromises proper assessment of students' academic activities and includes: cheating; fabrication; falsification; plagiarism; unauthorized assistance; failure to comply with an instructor's expectations regarding conduct required of students completing academic assessments in their courses; and failure to comply with exam regulations applied by the Registrar.

Student committing academic misconduct during the final exam will not receive a passing grade for the course.

For information on the Student Academic Misconduct Policy, Procedure and Academic Integrity, please visit: <https://www.ucalgary.ca/pubs/calendar/current/k-3.html>

Academic Accommodations:

Students seeking an accommodation based on disability or medical concerns should contact Student Accessibility Services. SAS will process the request and issue letters of accommodation to instructors. Students who require an accommodation in relation to their coursework based on a protected ground

other than disability should communicate this need in writing to their instructor. The full policy on Student Accommodations is available at

<https://www.ucalgary.ca/legal-services/university-policies-procedures/accommodation-students-disabilities-procedure>

Freedom of Information and Protection of Privacy (FOIP) Act:

Personal information is collected in accordance with FOIP. Assignments can only be returned to the student and will be accessible only to authorized faculty and staff. For more information, see

<https://www.ucalgary.ca/legal-services/access-information-privacy>

Copyright Legislation:

See the University of Calgary policy on Acceptable Use of Material Protected by Copyright at <https://www.ucalgary.ca/legal-services/university-policies-procedures/acceptable-use-material-protected-copyright-policy> Students who use material protected by copyright in violation of this policy may be disciplined under the Non-Academic Misconduct Policy.

Course materials created by instructors (including presentations and posted notes, labs, case studies, assignments and exams) remain the intellectual property of the instructor. These materials may NOT be reproduced, redistributed or copied without the explicit consent of the instructor. The posting of course materials to third party websites such as note-sharing sites without permission is prohibited. Sharing of extracts of these course materials with other students enrolled in the course at the same time may be allowed under fair dealing.

Recording of Lectures:

Recording of lectures is prohibited, except for audio recordings authorized as an accommodation by SAS or an audio recording for individual private study and only with the written permission of the instructor. Any unauthorized electronic or mechanical recording of lectures, their transcription, copying, or distribution, constitutes academic misconduct. See <https://www.ucalgary.ca/pubs/calendar/current/e-6.html>.

Important Dates:

Please check: <http://www.ucalgary.ca/pubs/calendar/current/academic-schedule.html>.

Student Organizations:

Faculty of Arts Students' Association (F.A.S.A.):
Economics Department Representative
E-mail: econrep@fasaucalgary.ca
Website: www.fasaucalgary.ca.

Society of Undergraduates in Economics: <https://www.ucalgarysue.com/>.

Society of Undergraduates in Economics is a student run organization whose main purpose is to assist undergraduate economics students to succeed both academically and socially at the University of Calgary. Services include access to the exam bank, career events such as Industry Night and information sessions, mentorship programs, and social events for members. They invite you to join by contacting SUE at societyofundergradsineconomics@gmail.com.

Faculty of Arts Program Advising and Student Information Resources:

- Have a question, but not sure where to start? The Arts Students' Centre is your information resource for everything in Arts! Drop in at SS102, call them at 403-220-3580, or email them at artsads@ucalgary.ca. You can also visit the Faculty of Arts website at <http://arts.ucalgary.ca/undergraduate>, which has detailed information on common academic concerns, including program planning and advice.
- For registration (add/drop/swap), paying fees and assistance with your Student Centre, contact Enrolment Services at 403-210-ROCK [7625] or visit them in the MacKimmie Tower.

Student Support and Resources:

- See <https://www.ucalgary.ca/registrar/registration/course-outlines> for information on campus mental health resources, the Student Ombuds Office, Student Success Centre, Safewalk, and Emergency Evacuation and Assembly.
- Online writing resources are available at <https://ucalgary.ca/student-services/student-success/writing-support>.

JRB

24 August 2021