

## Economics 405 (L01) (Political Economy)

Instructor:	John R. Boyce	Lecture Location:	SB 148
Phone:	403 220 5860	Lecture Days/Time:	T/R 11:00a-12:15p
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Office Hours:	10:00-11:00a T/R	Fall 2019	

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### 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 Objectives/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:**

Econ 357 (pre-requisite)

**Required Textbook(s):**

*Introduction to Political Economy*, John R. Boyce (to be distributed as PDF on D2L)  
 Journal articles & other book chapters (to be distributed as PDF on D2L)

**Books on Reserve:**

None

**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.

**Grade Determination and Final Examination Details:**

MIDTERM EXAMINATION	25%	17 Oct.
FINAL EXAMINATION	35%	Registrar Scheduled
ASSIGNMENT 1	10%	19 Sept.
ASSIGNMENT 2	10%	10 Oct.
ASSIGNMENT 3	10%	7 Nov.
ASSIGNMENT 4	10%	5 Dec.
<b>TOTAL</b>	<b>100%</b>	

*Grading Scale*

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

A passing grade on any particular component of the course is not required for a student to pass the course as a whole.

If a student's letter grade on the final exam exceeds their midterm(s) letter grade, the weight of the midterm(s) is (are) transferred to the final exam. The student must have written the midterm(s) or provided supporting documentation for the absence(s) 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>.

Any student work which remains undistributed after the last day of classes will be available to students through the instructor's office during the instructor's office hours.

The final examination will be **comprehensive**, scheduled by the Registrar, held in a classroom, and last 2 hours. 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 [www.ucalgary.ca/registrar/exams/deferred\\_final](http://www.ucalgary.ca/registrar/exams/deferred_final). Under no circumstance will this be accommodated by the Department.

Tests and exams WILL NOT involve multiple choice questions.

Programmable calculators, cellphones, textbooks, course notes, and other electronic devices will **not** be allowed during the writing of tests or final examinations. Students are reminded that simply being able to access their cellphone during an exam is academic misconduct.

The exact date for the in-class **midterm is October 17**, in class. Due dates for the assignments: Assignment 1: 19 September; Assignment 2: 10 October; Assignment 3: 7 November; Assignment 4: 5 December. All exams and assignments due at end of class on due date.

THERE WILL BE NO MAKEUP OR DEFERRED ASSIGNMENTS/EXAMS under any circumstances, nor may the exams be written early. Students unable to write the assignments/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 and Intellectual Honesty:**

*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>

*Statement of Intellectual Dishonesty, see Calendar K.4*

<http://www.ucalgary.ca/pubs/calendar/current/k-4.html>

*Plagiarism and Other Academic Misconduct, see Calendar K.5*

<http://www.ucalgary.ca/pubs/calendar/current/k-5.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 <http://www.ucalgary.ca/policies/files/policies/student-accommodation-policy.pdf>.

**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 <http://www.ucalgary.ca/legalservices/files/legalservices/faq-students.pdf> and [http://www.ucalgary.ca/legalservices/files/legalservices/faq-faculty\\_0.pdf](http://www.ucalgary.ca/legalservices/files/legalservices/faq-faculty_0.pdf).

**Internet and Electronic Communication Device information:**

The use of cell phones for any purpose in class is prohibited. Computers and tablets may be used for note taking only unless otherwise authorized by the instructor.

**Copyright Legislation:**

See the University of Calgary policy on Acceptable Use of Material Protected by Copyright at [www.ucalgary.ca/policies/files/policies/acceptable-use-of-material-protected-by-copyright.pdf](http://www.ucalgary.ca/policies/files/policies/acceptable-use-of-material-protected-by-copyright.pdf).

Students who use material protected by copyright in violation of this policy may be disciplined under the Non-Academic Misconduct Policy.

**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

Office: SS 803, E-mail: [econrep@fasaucalgary.ca](mailto:econrep@fasaucalgary.ca) and Web: [www.fasaucalgary.ca](http://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](mailto: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](mailto: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 Library Block.

**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>.

**Notes:**

1. Students are responsible for all assigned material, e.g., supplementary material posted on D2L, regardless of whether or not the material was covered in class.