
Political Science 108. Economics 118. Introduction to Political Economy

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Course Info:

Fall 2008

MW 2:00–3:15

Dewey 2162

How do political institutions affect economic growth? How do economic conditions affect political decisions? This course is an introduction to the history of thought and current debates in political economy. We review great texts in the history of political economy (by Adam Smith, Karl Marx, and others), present an introduction to the modern tools used in the field (including **game theory** and **mathematics**), and show their applications in the context of democratic and nondemocratic politics.

Course Requirements

The course grade is a combination of participation (10%), problem sets (20%), topic statements (15%), a mid-term exam (25%) and a final exam (30%). Problem sets generally consist of short essays and mathematical problems. The two topic statements defend opposite sides of a debate question. They are no longer than 1000 words each and are written in groups of 3 or 4 students. Students must then debate the question in class at the end of the semester. Participation in those debates will count toward the ‘participation’ grade. The mid-term and the final exam are a combination of essays and mathematical problems, following the structure of problem sets. The mid-term is scheduled for Wednesday October 22nd in class (2pm-3.15pm) and the final exam is scheduled for Tuesday December 16th at 4pm. Please see the end of the syllabus for a complete schedule of assignments. This schedule will be updated as the semester progresses on the Blackboard website. Problem sets are due at the start of the lecture. Since solutions are posted on the Blackboard website after the lecture, late submission will not be accepted. Late submissions for topic statements will be penalized at a rate of 10% per day.

Texts and References

You are required to do the readings prior to coming to class. The following books are required and available for purchase at the University library (L).

Downs , Anthony. 1957. *An Economic Theory of Democracy*. New York, N.Y.: Harper.

Heilbroner, Robert L. 1999. *The Worldly Philosophers. The Lives, Times, and Ideas of the Great Economic Thinkers*. Revised Seventh Edition. New York: Simon and Schuster

Weber, Max. 2003. *The Protestant Ethic and the Spirit of Capitalism*. Minoela, N.Y.: Dover Publications.

Other references are either on reserve at Rush Rhees library (R), on e-reserve from the Blackboard website (ER) or available electronically through a web search or through the Rush Rhees library website (E).

Academic Integrity

Be familiar with the University's policies on academic integrity and disciplinary action. Violators of University regulations on academic integrity will be dealt with severely, which means that your grade will suffer, and I will forward your case to the Chair of the College Board on Academic Honesty.

Course Outline

- 1. Introduction and Overview of the Course** (Wednesday September 3)
- 2. Classical Economics and the Marginal Revolution. On the Production, Exchange and Distribution of Wealth**

2.1 On the Production of Wealth

2.1.1 Adam Smith

Monday September 8

- Heilbroner, Robert L. 1999. *The Worldly Philosophers. The Lives, Times, and Ideas of the Great Economic Thinkers*. Revised Seventh Edition. New York: Simon and Schuster. 42-74. (L,R)
- Smith, Adam. 2001 [1776]. *An Inquiry into the Nature and Causes of the Wealth of Nations*. London, U.K.: Electric Book Co. Introduction and Plan of the Work, Book 1 Chapters I-III, Book IV Chapter II. (E)

2.1.2 David Ricardo

Wednesday September 10

- Ricardo, David. 2001 [1817]. *On the Principles of Political Economy and Taxation*. London, U.K.: Electric Book Co. Chapter VII. (E)
- Pressman, Steven. 1999. *Fifty Major Economists: A Reference Guide*. New York: Routledge. 35-40. (E)

Monday September 15: No Class

2.2 On the Exchange of Wealth

2.2.1 Adam Smith

Wednesday September 17

- Smith, Adam. 2001 [1776]. *An Inquiry into the Nature and Causes of the Wealth of Nations*. London, U.K.: Electric Book Co. Book 1 Chapters IV-VII and Chapter XI part II. (E)

2.2.2 The Marginal Revolution

Monday September 22

- Medema, Steven G. and Warren J. Samuels (eds.). 2003. *The History of Economic Thought: A Reader*. New York, NY: Routledge. 409-442. (ER)
- Pressman, Steven. 1999. *Fifty Major Economists: A Reference Guide*. New York: Routledge. 53-64. (E)

Wednesday September 24

- Pressman, Steven. 1999. *Fifty Major Economists: A Reference Guide*. New York: Routledge. 69-73, 77-81. (E)

2.3 On the Distribution of Wealth

2.3.1 Karl Marx's Theory

Monday September 29

- Heilbroner, Robert L. 1999. *The Worldly Philosophers. The Lives, Times, and Ideas of the Great Economic Thinkers*. Revised Seventh Edition. New York: Simon and Schuster. 136-169. (L,R)
- Medema, Steven G. and Warren J. Samuels (eds.). 2003. *The History of Economic Thought: A Reader*. New York, NY: Routledge. 378-407. (ER)

2.3.2 Karl Marx's Prophecy

Wednesday October 1

- Marx, Karl. 199? (1888) *Manifesto of the Communist Party* edited by Friedrich Engels. Raleigh, N.C.: Alex Catalogue (E)
- Popper, Karl R. 1963. *The Open Society and Its Enemies*. New York, N.Y.: Harper and Row. Chapter 13. (ER)
- Hayek, F.A. 1945. 'The Use of Knowledge in Society.' *The American Economic Review*. 35(4): 519-530. (E)

Monday October 6: Fall break (no class)

3. Foundations for a Scientific Social Science

Wednesday October 8

- Kuhn, Harold W. 2004. 'Introduction' in John von Neumann and Oskar Morgenstern, *Theory of Games and Economic Behavior*, Commemorative Edition, Princeton, N.J.: Princeton University Press. vii-xiv. (ER)

- Osborne, Martin J. 2004. *An Introduction to Game Theory*. New York, N.Y.: Oxford University Press, 13-54. (R)
- Pressman, Steven. 1999. *Fifty Major Economists: A Reference Guide*. New York: Routledge. 124-128. (E)

4. Applications

4.1 Overpopulation and Pollution

4.1.1 The Dismal Predictions

Monday October 13

- Malthus, Thomas R. 2001 [1798]. *An Essay on the Principle of Population*. London, U.K.: Electric Book Co. Chapters 1, 2, 4 and 5. (E)
- Hardin, Garrett. 1968. 'The Tragedy of the Commons.' *Science*. 162: 1243-1248. (E)

4.1.2 Possible Solutions

4.1.2.1 Property Rights

Wednesday October 15

- Coase, Ronald H. 1960. 'The Problem of Social Cost.' *Journal of Law and Economics*. 3: 1-44. (E)
- Coase, Ronald H. 1992. 'Autobiography' in Tore Frangsmyr (ed.) *Les Prix Nobel. The Nobel Prizes 1991*. Stockholm, Sweden: Nobel Foundation. (E)

4.1.2.2 Cooperation in Repeated Interaction

Monday October 20

- Axelrod, Robert. 1984. *The Evolution of Cooperation*. New York: Basic Books. 3-24, 73-87. (ER)

Wednesday October 22 : Mid-Term

4.2 War and Peace

Monday October 27

- Schelling, Thomas. 2006. 'Autobiography' in Karl Grandin (ed.) *Les Prix Nobel. The Nobel Prizes 2005*. Stockholm, Sweden: Nobel Foundation. (E)
- Schelling, Thomas. 1960. *The Strategy of Conflict*. Cambridge, MA: Harvard University Press. 3-20. (ER)
- Osborne, Martin J. 2004. *An Introduction to Game Theory*. New York, N.Y.: Oxford University Press, 153-180. (R)

4.3 Group Decision-Making

Wednesday October 29

- Pressman, Steven. 1999. *Fifty Major Economists: A Reference Guide*. New York: Routledge. 177-181. (E)

- Condorcet, Marie Jean Antoine Nicolas Caritat, marquis de. 1976. ‘Essay on the Application of Mathematics to the Theory of Decision-Making (1785)’ in Keith Michael Baker (ed.) *Condorcet: Selected Writings*. Indianapolis, IN: 33-70. (ER)

Monday November 3

- Schumpeter, Joseph A. 1950. *Capitalism, Socialism, and Democracy*. 3rd edition. New York, N.Y.: Harper & Brothers Publishers. Part IV: Socialism and Democracy. 232-283. (ER)

Wednesday November 5

- Amadae, S.M. and Bruce Bueno de Mesquita. 1999. ‘THE ROCHESTER SCHOOL: The Origins of Positive Political Theory.’ *Annual Review of Political Science*. 2: 269-295. (E)
- Downs, Anthony. 1957. *An Economic Theory of Democracy*. New York, N.Y.: Harper: chapters 2 and 8. (L,R)

Monday November 10

- Olson, Mancur. 1971. *The Logic of Collective Action: Public Goods and the Theory of Groups*. Cambridge, MA: Harvard University Press: 1-22, 33-52. (ER)
- Downs, Anthony. 1957. *An Economic Theory of Democracy*. New York, N.Y.: Harper: chapters 10 and 13. (L,R)

4.4 Development

4.4.1 The Harrod-Domar Model

Wednesday November 12

- Ray, Debraj. 1988. *Development Economics*. Princeton, N.J.: Princeton University Press. 47-64. (ER)

4.4.2 The Solow Model

Monday November 17

- Ray, Debraj. 1988. *Development Economics*. Princeton, N.J.: Princeton University Press. 64-87. (ER)

4.4.3 Institutions and Property Rights

Wednesday November 19

- North, Douglass C. and Robert Paul Thomas. 1973. *The Rise of the Western World: A New Economic History*. Cambridge, U.K.: Cambridge University Press. Chapters 1-2, 10. (ER)
- North, Douglass C. and Barry R. Weingast. 1989. ‘Constitutions and Commitment: The Evolution of Institutions Governing Public Choice in Seventeenth-Century England.’ *The Journal of Economic History*. 49(4): 803-832. (E)

Monday November 24

- De Soto, Hernando. 1989. *The Other Path. The Invisible Revolution in the Third World*. New York, N.Y: Harper & Row Publishers. Chapter 5. (ER)

- De Soto, Hernando. 2000. *The Mystery of Capital. Why Capitalism Triumphs in the West and Fails Everywhere Else*. New York: Basic Books. Chapter 3. (ER)
Wednesday November 26: Thanksgiving break (no class).

4.4.4 Culture

Monday December 1

- Weber, Max. 2003. *The Protestant Ethic and the Spirit of Capitalism*. Minoela, N.Y.: Dover Publications. Chapters 1, 3 and 5. (L,R)

5. **Student Debates:** December 3, December 8.

6. Wrap-up: December 10.

7. Final exam: December 16 at 4pm.

Schedule of Assignments

Problem Sets

Problem set 1: Handed out on September 17. Due October 1.

Problem set 2: Handed out on October 1. Due October 15.

Problem set 3: Handed out on October 27. Due November 10.

Problem set 4: Handed out on November 10. Due November 24.

Mid-Term: October 22 in class (2pm-3.15pm)

Topic statements: Due December 1.

Student Debates: December 3 and 8.

Final Exam: December 16 at 4pm.