

## Political Science 780

### *The Field of Political Economy*

Ohio State University  
Spring 2010  
W 3:30-6:18pm

Prof. Daniel Verdier  
2068 Derby Hall  
[verdier.2@osu.edu](mailto:verdier.2@osu.edu)  
Office phone: 292-8130

### Course Description

This course offers an introduction to the field of political economy, defined as the use of economic approaches to study politics. We focus on the foundational issues that came out of the social choice and game theoretic literatures, basically all the so-called “market failures” and causes for second-best outcomes, each calling for an institutional or normative fix going beyond market interaction. Among the problems touched upon in the seminar are the aggregation of individual preferences (or cycling) problem, the impact of uncertainty, the curse of free riding in collective action and the provision of public goods, the more generic notion of transaction costs, cause for incomplete contracting and uncertain property rights, and the time consistency (or inability to commit) problem. We end with a snapshot of path dependence, a rational-historicist hybrid, on the unfathomable subject of change. The course requires no prior knowledge of economics, game theory, or statistics.

The course will be run in the form of a seminar. A set of readings will be assigned each time, with each participant being expected to present and comment on all the readings.

The class will be sanctioned by a seminar paper, a ten-to-fifteen-page-long paper further exploring, or developing a tangent on, a theme addressed in the class, in either case, strictly analytical (facts and data should be strictly illustrative), to be outlined in the last sitting and handed in by the official deadline.

We will read the following books from cover to cover:

- Hinich, Melvin and Michael Munger. 1997. *Analytical Politics*. Cambridge UP
- Coase, Ronald. 1988. *The Firm, the Market and the Law*. University of Chicago UP
- Olson, Mancur. 1971 [1965]. *The Logic of Collective Action*. Harvard UP
- Schattschneider, E. E. 1975 [1960]. *Semisovereign People: A Realist's View of Democracy in America*. Dryden Press

The rest will be in the form of journal articles and book contributions.

## Week 1. Introduction

- overview of the course and administrative details (no readings)

## Week 2. Cycling

- Hinich, Melvin and Michael Munger, *Analytical Politics*, chaps 1-5.
- Riker, William. "Implications from the Disequilibrium of Majority Rule for the Study of Institutions" *APSR*, 1980. 74:432-46.
- Tullock, Gordon. 1981. "Why so much stability?" *Public Choice* 37:189-202.
- Shepsle, Kenneth A. and Barry R. Weingast. 1981. "Political Preferences for the Pork Barrel: A Generalization." *American Journal of Political Science* 25, 1: 96-111.
- Shepsle, Kenneth. 1986. "Institutional Equilibrium and Equilibrium Institutions" in Herbert F. Weisberg, ed. *Political Science: The Science of Politics*, (New York: Agathon Press), p. 51-81.
- Baron, David P., and John A. Ferejohn. 1989. "Bargaining in Legislatures." *American Political Science Review* 83, 4: 1181-1206.

## Week 3. Uncertainty--I

- Stigler, George J. 1971. "The theory of economic regulation." *Bell Journal of Economics and Management Science* 2, 3-21.
- Downs, Anthony. 1957. *An Economic Theory of Democracy*. New York: Harper & Row, chap. 1-8.
- Schattschneider, E. E. 1975 [1960]. *Semisovereign People: A Realist's View of Democracy in America*.
- Yandle, Bruce. 1983. "Bootleggers and Baptists: The Education of a Regulatory Economist." *Regulation* 7, 3: 12.

## Week 4. Uncertainty--II

- Dougan, William R. and M. C. Munger. 1989. "The rationality of ideology." *Journal of Law and Economics* 32 (April): 119-42.
- Hinich, Melvin and Michael Munger, *Analytical Politics*, chaps 6 and 9 (pp. 190-209).
- Krehbiel, Keith. 1991. *Information and Legislative Organization*. Ann Arbor: University of Michigan Press. Chaps 1-3.

## Week 5. Free riding

- Olson, Mancur. 1967. *The Logic of Collective Action*. Cambridge University Press. Chaps 1-3 (pp. 5-97).

- Axelrod, Robert. 1981. "The Emergence of Cooperation among Egoists." *American Political Science Review*, 75, 2. (Jun), pp. 306-318.
- Kuran, T. 1989. "Sparks and Prairie Fires: A theory of unanticipated political revolution." *Public Choice* 61 (April): 41-74.
- Hinich, Melvin and Michael Munger, *Analytical Politics*, chap. 7
- Patty, John W. 2008. "Equilibrium Party Government." *American Journal of Political Science*, Vol. 52, 3: 636-655.

### **Week 6. Transaction Costs, Incomplete Contracting--I**

- Coase, R. H. 1988. *The Firm, the Market, and the Law*. Chicago: The University of Chicago Press, chapters entitled "The Nature of the Firm [1937]" "The Problem of Social Cost [1960]" and "Notes on the Problem of Social Costs."
- Williamson, Oliver. 1981. "The Modern Corporation: Origins, Evolution, Attributes." *Journal of Economic Literature* 19, 4: 1537-1568.
- Weingast, Barry R. and W. J. Marshall. 1988. "The industrial organization of Congress; or, why legislatures, like firms, are not organized as markets." *Journal of Political Economy* 96, 132-63.

### **Week 7. Transaction Costs, Incomplete Contracting--II**

- Kreps, D. M. 1990. "Corporate culture and economic theory." In *Perspectives on Positive Political Economy*, edited by J. E. Alt and K. A. Shepsle, pp. 90-143.
- Hall, Peter A. and David Soskice. 2001. "An Introduction to Varieties of Capitalism." In *Varieties of Capitalism: The Institutional Foundations of Comparative Advantage*. Edited by Peter Hall and David Soskice, Oxford University Press.
- Acemoglu, Daron. 2003 "Why not a Political Coase Theorem, *Journal of Comparative Economics* 31, 4:620.

### **Week 8. Time Consistency and Commitment Problems**

- North, Douglass and Barry Weingast. 1989. "Constitution and Commitment: The Evolution of Institutions Governing Public Choice in Seventeenth-Century England," *Journal of Economic History* 49, (Dec.): 803-832.
- Greif, Avner. 1994. "Cultural Beliefs and the Organization of Society": A Historical and Theoretical Reflection on Collectivist and Individualist Societies." *Journal of Political Economy* 102 (5): 912-50
- Milgrom, Paul, Douglass North and Barry Weingast. 1990. "The Role of Institutions in the Revival of Trade: the Law Merchant, Private Judges and the Champagne Fairs" *Economics and Politics* 2, 1 (March, 1990) p. 1-22.
- Greif, Avner, Paul R. Milgrom, and Barry R. Weingast. 1994. "Coordination, Commitment and Enforcement: The Case of the Merchant Guild." *Journal of Political Economy* 102 (4) (August): 754-76.
- Weingast, Barry R. 1995. "The Economic Role of Political Institutions: Market-Preserving Federalism and Economic Development." *Journal of Law, Economics, and Organization* 11, 1: 1-31.

### **Week 9. Change**

- Mahoney, James. 2000. "Path Dependence in Historical Sociology." *Theory and Society* 23: 337-67.
- Pierson, Paul. 2000. "Increasing Returns, Path Dependency, and the Study of Politics." *American Political Science Review* 94 (June): 251-67.
- Thelen, Kathleen. 2003. "How Institutions Evolve: Insights from Comparative Historical Analysis." In *Comparative Historical Analysis in the Social Sciences*, edited by James Mahoney and Dietrich Rueschemeyer, pp. 208-240. Cambridge University Press.
- Greif, Avner and David Laitin. 2004. "A Theory of Endogenous Institutional Change." *American Political Science Review* 4 (November): 633-52.

## **Week 10. Paper Presentations**