



**The Economics of Politics and Policymaking
ECON 437**

**McClelland Hall Room 127
Tuesday-Thursday 11:00 - 12:15**

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Course Description

This course examines the constraints that politics imposes on implementing public policy. It has three major substantive themes: (i) the normative foundations of policy making, (ii) how strategic interactions give rise to social dilemmas and, in turn, create room for government to improve social welfare, and (iii) how technological, institutional, and strategic constraints can impede improvements in social welfare.

The course uses the tools of Economics to address these questions. Toward that end, along the way, the course will introduce basic game theory. Game theory is the mathematical tool used to study strategic behavior and strategic situations. As such, it is a critical tool for understanding the substantive issues discussed above. Understanding basic game theory is a valuable skill in its own right; it helps us predict and understand how people and organizations will behave in response to changes in the policy environment.

Course Objectives

The course has one methodological objective and two substantive objectives.

The methodological goal emphasizes *critical thinking*. Students will learn how to use the tools of Economics---especially, Game Theory---to address potential implications of policy changes and whether those policies are implementable in a given political environment. Students should be able to bring these tools to a wide variety of policies and political environments.

The substantive goals are two-fold. The first goal emphasizes *social responsibility*. Students will learn how to question what makes a good policy and to spot tradeoffs in identifying good policies. The second goal emphasizes *business and institutional knowledge*. Students will learn how technological, institutional, and strategic constraints can impede improvements in social welfare.

Learning Outcomes

Upon completion of the course, students will have several tools that will allow them to understand and contribute to policy debates. First, they will be able to bring logically clear and correct arguments to bear on policy debates. Second, they will understand how different normative criteria can lead to different implications for what we mean by “good” or “bad” policy. Third, they will understand how to spot strategic tradeoffs involved in constructing good policies. Fourth, they will understand how technology and institutions impose constraints on constructing good policies.

Course Prerequisites

Students should have taken ECON 300 or 361. Interested students who have not taken either of the prerequisites---but have taken courses that involve mathematical thinking about social sciences---may request that this prerequisite be waived. (A waiver will be determined on a case-by-case basis.)

Required Texts and Readings

The textbook for the course is *Political Economic for Public Policy*, by Ethan Bueno de Mesquita (Princeton University Press, 2016). Recommended supplementary reading is *Analyzing Politics: Rationality, Behavior, and Institutions*, by Shepsle (W.W. Norton, 2010). At various points, I will supplement textbook readings with research papers. Please regularly check D2L for these readings.

Course Requirements

The course has four requirements: participation, problem sets, writing samples, and exams.

- *Participation*: Students are expected to do the readings, participate, and attend class.
- *Problem Sets*: The purpose of the problem sets is to back-up technical material in class. They are intended to enhance your learning, more so than really “testing” your current ability. As such, they will be graded on a coarse a 5 point scale: (5) exceptional, (4) very good, (3) meets expectations, (2) steps in the right direction but with serious mistakes, (1) seriously flawed. I anticipate that both 1 and 5 will be rare. A problem set that is not turned in will receive a 0.

There will be between 2 and 4 problem sets. The precise number and their timing will be surprise in nature. That is, they can arrive at any time. They will arrive when back-ups will be most useful. You will be given a week to complete each problem set.

Please write your answers to problems in a linear, concise, and readable format. This will often mean that you need to rewrite your answer after solving it.

- *Writing Sample*: There will be two short writing samples. They will ask you to prepare a 3-5 page paper addressing conceptual aspects of the course. Detailed instructions will be given at the time and you will be given one week to complete the assignment.
- *Exams*: There will be a midterm (February 28, 2019) and final (May 7, 2019). Both are closed book and in-class exams. The final is cumulative.

No late assignments (problem set or writing samples) will be accepted. An assignment is defined as late if it is turned in anytime after the lecture begins on the due date. If you have to miss class the day an assignment is due, please coordinate turning it in early or electronically.

Grades

Grading will be based on the course requirements: final exam (40%), midterm exam (25%), writing samples (15% each one), and problem sets (5% total). Students who actively participate may be awarded a bonus percentage point.

The minimum guaranteed grade distribution is as follows: 20% of the class will receive an A, 50% of the class will receive a B, and 20% percent of the class will receive a C. The remainder will receive lower grades, based on absolute performance. (This may include grades of F, if earned.) However, I reserve the right to give a “better” distribution based on class performance. For instance, I may give a large(r) percentage of As, if the class works hard.

Absences and Missing Assignments

Deadlines and exam times will not be changed to accommodate family events, job interviews, etc. Exceptions will be made only for serious medical reasons, a death in the family, or official university-excused absences (e.g., sincerely held religious beliefs <http://policy.arizona.edu/human-resources/religious-accommodation-policy> or absences pre-approved by the UA Dean of Students <https://deanofstudents.arizona.edu/absences>.) In these cases, students must report the absence as soon as possible. Failure to report the absence in a timely manner may lead the absence to be classified as “non-excused.”

- If an excused absence is anticipated, students should hand in assignments (on or before the due date).
- If an excused absence is unanticipated and results in a failure to submit a problem set, the grade for that problem set will be determined by the average grade of the other problem set(s).
- If an excused absence is unanticipated and results in a failure to submit a writing sample on time, a new due date will be determined by the Professor.
- If the excused absence results in a failure to take the midterm, the weight will be reassigned to the final.
- If the excused absence results in a failure to take the final, the Professor will determine the course of action on a case-by-case basis.

Grade Appeals

If you believe that your grade on any assignment or exam is incorrect or unfair, you should submit your concerns in writing. The written appeal should fully summarize what you believe the problems are and why. Your appeal will be considered and you will get a response in writing.

Course Schedule

The course schedule and readings are meant as a tentative plan. The readings will be in flux as I speed up and slow down the course to aid learning.

Week 1 (Jan 10). Introduction

Read: Preface

Week 2a (Jan 15). Normative Frameworks

Read: Introduction to Part I and Chapter 1

Week 2b (Jan 17). Collective Goals

Read: Chapter 2

Week 3a (Jan 22). Collective Goals

Read: Chapter 2

Week 3b (Jan 24). Pareto Concepts

Read: Chapter 3

Week 4a (Jan 29). Pareto Concepts and Utilitarianism

Read: Chapter 3

Week 4b (Jan 31). Game Theory 1.1: Rationality, Games, and Strategy

Read: Appendix A

Week 5a (Feb 5). Game Theory 1.2: Nash Equilibrium

Read: Appendix A

Week 5b (Feb 7). Externalities 1

Read: Introduction to Part II and Chapters 4.1-4.3

Week 6a (Feb 12). Externalities 2: Policy Interventions and The Theory of the Second Best

Read: Chapter 4.4-4.7

Writing Sample Instructions Distributed

Week 6b (Feb 14). Coordination Problems

Read: Chapter 5

Week 7a (Feb 19). Game Theory 2.1: Subgame Perfection

Read: Appendix B.1-B.4

Week 7b (Feb 21). Game Theory 2.2: Subgame Perfection

Read: Appendix B.6-B.7

Week 8a (Feb 26). Catch up class

Week 8b (Feb 28). *Midterm*

Week 9a (March 12). Commitment Problems

Read: Chapter 6

Week 9b (March 14). Summing up Social Dilemmas

Week 10a (March 19). Dynamic Inconsistency

Read: Introduction to Part III and Chapter 8

Week 10b (March 21). Strategic Adjustment

Read: Chapter 7

Week 11a (March 26). The Need for Information

Read: Chapter 9

Week 11b (March 28). The Need for Information

Chapter 9

Week 12a (April 2). Influence over Elected Officials

Read: Chapter 10

Week 12b (April 4). Influence over Elected Officials: Who Votes

Read: TBA

Writing Sample Instructions Distributed

Week 13a (April 9). When Bad Policy is Good Politics

Read: Chapters 11.1-11.2

Week 13b (April 11). Foreign Aid

Read: Chapters 11.3-11.4

Week 14a (April 16). TBA

Week 14b (April 18). TBA

Week 15a (April 23). TBA

Week 15b (April 25). TBA

Week 16a (April 30). Review of Course

Final Exam: May 7, 2019, 10:30-12:30

Schedule: <http://www.registrar.arizona.edu/schedules/finals.htm>

Regulations: <https://www.registrar.arizona.edu/courses/final-examination-regulations-and-information>

Honors Contract

Students wishing to contract this course for Honors Credit should email the Professor to discuss the terms of the contract. Information on Honors Contracts can be found at

<https://www.honors.arizona.edu/honors-contracts>.

Classroom Behavior Policy

To foster a positive learning environment, students and instructors have a shared responsibility. We want a safe, welcoming, and inclusive environment where all of us feel comfortable with each other and where we can challenge ourselves to succeed. To that end, our focus is on the tasks at hand and not on extraneous activities---e.g., texting, chatting, reading a newspaper, making phone calls, web surfing, etc.

Students are asked to refrain from disruptive conversations with people sitting around them during lecture. Students observed engaging in disruptive activity will be asked to cease this behavior. Those who continue to disrupt the class will be asked to leave lecture or discussion and may be reported to the Dean of Students.

In addition, I ask that students refrain from texting, emailing and web surfing on *phones, computers and iPads/tablets*. You may only use electronic devices for the purpose of note taking.

Threatening Behavior Policy

The UA Threatening Behavior by Students Policy prohibits threats of physical harm to any member of the University community, including to oneself. See <http://policy.arizona.edu/education-and-student-affairs/threatening-behavior-students>.

Accessibility and Accommodations

At the University of Arizona we strive to make learning experiences as accessible as possible. If you anticipate or experience physical or academic barriers based on disability or pregnancy, you are welcome to let me know so that we can discuss options. You are also encouraged to contact Disability Resources (520-621-3268) to explore reasonable accommodation. Please be aware that the accessible table and chairs in this room should remain available for students who find that standard classroom seating is not usable.

Code of Academic Integrity

Students are encouraged to share intellectual views and discuss freely the principles and applications of course materials. However, graded work/exercises must be the product of independent effort unless otherwise instructed. Students are expected to adhere to the UA Code of Academic Integrity as described in the UA General Catalog. See: <http://deanofstudents.arizona.edu/academic-integrity/students/academic-integrity>.

The University Libraries have some excellent tips for avoiding plagiarism, available at <http://new.library.arizona.edu/research/citing/plagiarism>.

Selling class notes and/or other course materials to other students or to a third party for resale is not permitted without the instructor's express written consent. Violations to this and other course rules are subject to the Code of Academic Integrity and may result in course sanctions. Additionally, students who use D2L or UA e-mail to sell or buy these copyrighted materials are subject to Code of Conduct Violations for misuse of student e-mail addresses. This conduct may also constitute copyright infringement.

UA Nondiscrimination and Anti-harassment Policy

The University is committed to creating and maintaining an environment free of discrimination; see <http://policy.arizona.edu/human-resources/nondiscrimination-and-anti-harassment-policy>

Our classroom is a place where everyone is encouraged to express well-formed opinions and their reasons for those opinions. We also want to create a tolerant and open environment where such opinions can be expressed without resorting to bullying or discrimination of others.

Additional Resources for Students

UA Academic policies and procedures are available at <http://catalog.arizona.edu/policies>

Student Assistance and Advocacy information is available at <http://deanofstudents.arizona.edu/student-assistance/students/student-assistance>

Confidentiality of Student Records

<http://www.registrar.arizona.edu/personal-information/family-educational-rights-and-privacy-act-1974-ferpa?topic=ferpa>

Subject to Change Statement

Information contained in the course syllabus, other than the grade and absence policy is subject to change with advance notice, as deemed appropriate by the instructor.