Purpose:

How have different schools of thought attempted to integrate economics and politics? Which has been thought to be fundamental? Some (like the Marxists) have argued that economic factors dominate political ones; others (like those who stress political and other institutions), would argue the reverse. And those who apply neoclassical economic analysis to social and political phenomena are not interested in the economy per se but in the usefulness of economic concepts for uncovering some dynamics at work in all social behavior. There is some convergence from several points of view on the usefulness of combining deductive analysis with comparative empirical analysis of individual and collective actors in different institutional settings.

Course Requirements and Timetable

Students in this course may choose between two sets of tasks for purposes of grading; either set A or set B:

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<th>A</th>
<th>B</th>
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<tr>
<td>Midterm in class</td>
<td>25%</td>
<td>Midterm</td>
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<tr>
<td>2 &quot;Learning cells&quot;</td>
<td>20%</td>
<td>2 LCs</td>
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<td>General class participation</td>
<td>20%</td>
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<tr>
<td>Final exam in exam period</td>
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Classes and Readings

Study Questions (SQ) and Terms to Know are included in the Selected Readings packet to help you in reading some of the articles. The purpose of the SQs is to help you locate either the article's important elements OR those elements, which are of special importance to this course. The articles are generally in the order they will be discussed in class. Rarely do I do a straight lecture, but discuss questions of information, concepts, interpretation, and comparison with the class. Success depends upon students' reading BEFORE class so that 1) difficulties can be clarified and 2) provocative discussion developed. The evaluation of Class Participation will be both evidence of having read the assigned material, and of active work with it in class.

Learning Cells (Two, each 10%; total: 20%)

Twice during the term I shall distribute in advance of class special SQs for an exercise called Learning Cells. Students will be asked to come to the specified class with typed answers to those question and discuss their answers with others in class. They may if they wish, add handwritten comments to their typed texts. In your answers do not “overquote”; however whenever you are quoting directly or paraphrasing an important idea identify the source and page as follows: (Olson, 14). The answers, together with the group discussion, will then serve as the basis of a class discussion led by the instructor. The typed responses will be handed in to the teacher for grading and feedback. No LCs will be accepted after the class; the grade for the LC includes active participation in the class at which it is discussed. Tentative plan for learning cells is as follows:

LC #1 (dealing with readings #20-23) will be distributed on January 25 and due in class February 6.
LC #2 (dealing with readings #32-38) will be distributed March 6 and due in class March 20.

Midterm exam will be approximately February 15, 2007 BUT listen for exact date to be announced in class. The exam will examine the reading through part II D. Final examination in exam period will be on the readings and lectures. One third of it will be devoted to an essay prepared in advance. (See below).

McGILL UNIVERSITY VALUES ACADEMIC INTEGRITY. THEREFORE ALL STUDENTS MUST UNDERSTAND THE MEANING AND CONSEQUENCES OF CHEATING, PLAGIARISM AND OTHER ACADEMIC OFFENCES UNDER THE CODE OF STUDENT CONDUCT AND DISCIPLINARY PROCEDURES (see www.mcgill.ca/integrity for more information).
Prepared Essay for the Final Exam

As our class proceeds you will notice newspaper articles (not academic journal articles) which discuss political or social behaviour (events, episodes, trends) which you can connect to the concepts we will be exploring. Keep a clipping or xerox file of suggestive articles for which these concepts give you a "handle".

Use your essay to describe how one or several analytical concepts explored in the lectures and readings can be applied to the case you have discovered. Needless to say, you may not only argue that they embody such concepts, but that they qualify or even disqualify them -- so long as you show that you have understood the concepts presented!

Essays should have: a) TITLE expressing your main point (deduction for omission)
   b) Source and date. (You may put a copy in my box after the exam in you wish.)

NO NOTES permitted in exam room.
Think out main ideas and outline in advance.

The final exam Essay Ques (one hour) will read approximately as follows:

Write the essay you have prepared showing how one or more concepts discussed in our readings and/or lectures can be applied to new materials. Your essay should focus on a real case, episode, event or trend. If you discuss an issue, first briefly pose that issue; if you discuss an event, first describe it briefly. If you refer to a specific account, write the publication and date. Show how the concepts are useful in understanding your case or show the limitations of their utility. Give your essay a title, which highlights your main point.

Book Review (optional) A book review should not be done to improve a grade but rather as a supplement by students who understand course concepts well.

Write a 5 page (double spaced font 12, 5 page absolute maximum) critical review of one of the books relating it to your readings and our discussions in this course. First give a concise and precise summary of the argument of the book (no more than two pages) and the type of evidence used (if any). In the next 3-4 pages critically discuss the argument, OR some theme or case discussed in the book. (One possible way of doing this might be to ask "How might an author from another school of "political economy" assess the argument of this book or how might he deal with the same question?

Requirements of form for Book Review are:

- TITLE REQUIRED. Pages numbered.
- DUE last day of class (not accepted after that.)
- 5 page (double spaced, standard margins) ABSOLUTE MAXIMUM
- Typed or word processed only.
- No faxed papers.
- STAPLED
- Title, your name, and telephone number on title page (only).

MISCELLANEOUS You may find a dictionary of economic terms and concepts helpful. Two good ones are: The Penguin Dictionary of Economics, and the MIT Dictionary of Economics, both in paperback.
NOTE: Readings are in order of class discussion. Readings are included in Selected Readings compendium. Call numbers are included where available as well. Numbers are keyed to order in SR. A copy of the SR will be on reserve.

I. INTRODUCTION: ECONOMICS AND POLITICS; Marriage, Divorce, Remarriage (Items 1-10 c.Jan 4 –Jan 15)

1. OLSON, Mancur (1968) "Economics, Sociology, and the best of all possible worlds", The Public Interest, #12, 96-118

Recommended
GILPIN, PEIR Chap. 2. "Three Ideologies of Political Economy"

II. THE ECONOMIC ANALYSIS OF (SOCIAL) BEHAVIOUR: INDIVIDUALS IN ENVIRONMENTS (Items 10-19: Parts A,B, and part of C Jan 16-Feb 1)

A. Individuals as the Unit of Calculation

10. HASKEL, Barbara G. (1972) The Scandinavian Option. Opportunities and Opportunity Costs in Postwar Scandinavian Foreign Policies, Oslo, Norwegian Universities' Press, 33-37, (Browse among cases as interests you.) (HC345 H3X)

B. The Structure of the Environment: Opportunities and Constraints as Incentive Systems

16. WALTZ, Kenneth (1979) The Theory of International Politics, Addison-Wesley, 91-114, 129-139. (For those interested in other kinds of theories, 68-78.) (JX1291 W37)

C. SOCIAL AND POLITICAL DYNAMICS: 'MICROMOTIVES AND MACROBEHAVIOR'
(Items 20-23 Feb 6-8 )
(Learning Cell dealing with readings 20-23, but readings 17-19 are also germane. Due in class Feb 6)


#21 HARDIN, Garrett (1968) "The Tragedy of the Commons" reprinted in Garrett HARDIN and John Baden (eds.), Managing the Commons, San Francisco, Freeman, 1977, 16-30. (HC79 E5M147)


**Recommended**


TSEBELIS, G Nested Games, chapter 2 "In Defense of the Rational Choice Approach" pp. 18-47.


**D. THE MARKET ANALOGY: MARKETS FOR VOTES, MARKETS IN CAREERS:**

True? False? Insightful but Incomplete? (Items 24 & 25: Feb 13)


#25 TULLOCK, Gordon (1977) "The Social Costs of Reducing Social Cost", in G. HARDIN and J. BADEN, Managing the Commons, pp. 147-156

**MID TERM EXAM IN CLASS: Thursday, February 15 on material through II D.**

**STUDY BREAK** Feb 18-24
E. FUNDAMENTAL SOCIAL AND POLITICAL INSTITUTIONS AS 'RULES OF THE GAME' AND AS 'OPPORTUNITIES AND CONSTRAINTS'
(Items 26 to 31: Study Week plus Feb 27-Mar 13)

1. The Exchange Analogy: the State and the 'New Contract Theory'

Review: SCHOTT, Chap. 5

#26 LEVI, Margaret, (1988) Of Rule and Revenue, Chapters 1, 1-40 and 2, 48-70 (Theory of Predatory Rule; Creating Compliance) PLUS ONE chapter from among the case chapters 4,5,6,7. Chapters 1 & 2 are in course pack. Book is on reserve.


#27 BATES, Ibid. Chapter 5 ("The nature and origin of agricultural policies" pp. 107-133.

Recommended


DONER, Richard F (1992) "Limits of State Strength: Toward an Institutionalist View of Economic Development" World Politics 44:3:398-431. (Note footnotes on institutions, demand for and supply of institutions, and economic development)


2. Property: link between political and economic institutions


3. 'Markets and hierarchies: the 'new economics of organization'.


#30 YARBROUGH, Beth V. & YARBROUGH, Robert (1990), "International institutions and the new economics of organization", International Organization 44:2: pp238-249. (Rest included but optional).

#31 DIXIT & NALEBUFF, Chap. 12 "Incentives" 302-325

Recommended

III. LIMITATIONS ON RATIONAL CHOICE AND CRITIQUES OF THE ECONOMIC MODEL OF THE STATE

(Learning Cell #2, dealing with #32-38 due in class on March 20. Discussion: March 20 & 22. Items 36A & 39: Mar 22.)

A. Empirical Critiques: The Impact of ’Framing’ on Decisions: The Emergence of Norms; Reputation, Trust, and Power.


#34 "Rethinking thinking", The Economist 18 December 1999, pp. 63-65.

Recommended
GOFFMANN, Erving (19 ) Strategic Interaction

B. Historical and Sociological Critiques: ‘Path Dependence’; ‘Embeddedness’


#37 LEWIN, Leif (1991) Self-interest and Public Interest in Western Politics, Oxford University Press, Chapter 1, 1-26


Recommended

D. Conceptual Critiques: Preference Formation, Indeterminacy


Recommended
IV. POWER AND CHANGING POWER IN ECONOMY AND POLITY
(Items 40-47 Mar 27 to Apr 10)

A. The Impact of MARX: Attention to Power

#40 MARX, The Communist Manifesto (any edition) (entire)
#41 GILPIN, Robert, PEIR, Chap. 2, "Three Ideologies of Political Economy", 25-64

B. The Impact of Economic Processes on Domestic and International Power Balances

#43 OLSON, Mancur (1963) "Rapid Economic Growth as a Destabilizing Force", The Journal of Economic History 23, 529-552
#44 SCHOTT, Ibid. Chap. 8 pp. 122-135.

Recommended
GILPIN PEIR, Chap 3 especially pp. 92-111

C. Changing Power Resources: Dynamic Analysis


Recommended

D. Institutions Matter! (How?)

#45 NORTH, Douglass C., "Institutions and their Consequences for Economic Performance" in Cook and Levi, 392-401

Recommended

V. CONCLUDING THOUGHTS: 'SOCIALLY EMBEDDED' AND 'PATH DEPENDENT' POLITICAL ECONOMIES:
Deductive Analysis? Empirical Analysis? Confrontation or Synthesis?


Final Exam, 3 hours, in exam period. Third hour on prepared essay (see p. 2 above).
I. INTRODUCTION: ECONOMICS AND POLITICS

Economics and Politics: Marriage, Divorce, Remarriage?

The Dissenters: Reactions to the Separating Out of Economics
1. The Reaction against Formalism: Veblen, Commons, Innis, Polyanyi
2. The Reaction against the idea of "spontaneous harmony" (equilibrium): Polanyi, Schumpeter
3. The Reaction against the neglect of power: Perroux, Hirschman, Viner (and Marx?)
Varieties of Contemporary Political Economy "Economism and Politicism"

II. THE ECONOMIC ANALYSIS OF (SOCIAL) BEHAVIOUR: INDIVIDUALS IN ENVIRONMENTS

A. Individuals As the Unit of Calculation
1. The Concept of Rationality: the "Analysis of Advantage"
2. The Concept of "Self-interest"
3. The Economics of Information
4. Risk and Uncertainty: "Reactive Risk" and "Moral Hazard"

B. The Structure of the Environment: Opportunities and Constraints and Incentive Structures
1. The competitive market
2. Monopoly, oligopoly
3. Non-market environments
4. The international environment

C. Social and Political Dynamics: "Micromotives and Macrobehavior"
2. The Prisoners' Dilemma as a challenge for politics.
3. The "Logic of Collective Action": implications for collective efforts, implications for group formation and maintenance.

D. The Market Analogy: Markets in Votes, Markets in Careers

E. Fundamental Social and Political Institutions as "Rules of the Game" and as "Opportunities and Constraints"
1. The Exchange Analogy: The State and the "New Contract Theory"
2. Property: Link between political and economic institutions
3. "Markets and Hierarchies": the "new economics of organization".
4. Property rights and theories of optimal efficiency. Do property rights and markets make institutions irrelevant? Coase versus "Coase inverted".
5. Markets and firms as "alternative contracting". The "governing firm and the trading state".

III. LIMITATIONS ON RATIONAL CHOICE AND CRITIQUES OF THE ECONOMIC MODEL OF THE STATE

A. Empirical Critiques: The Impact of "Framing" on Decision; the Emergence of Norms; Reputation, Trust, and Power.
B. Historical and Sociological Critiques: "path dependence"; "embeddedness".
D. Conceptual Critiques: Preference Formation; Indeterminacy.
IV. POWER AND CHANGING POWER IN ECONOMY AND POLITY
A. The Impact of Marx: Attention to Power
The materialist basis of power: the mode of production, ownership;
classes as actors;
the theory of the State;
the international division of labor;
determinism and voluntarism.

B. Dynamic Analysis: The Impact of CHANGING Power Resources
Market changes, group changes, coalition changes.
Economies or Political Economies? Markets or "Negotiated Economies"?

C. Institution Matter! (How?)
The "new institutionalism": does survival equal efficiency?
Institutions and game theory: institutions as coordinating expectation; "institutionally fostered fair-mindedness" versus institutionally
fostered free riding; multiple equilibria.
Comparative politics: different institutions structure incentives differently.

D. The Impact of Economic Processes on Domestic and International Power Balances

V. CONCLUDING THOUGHTS: "SOCIALLY EMBEDDED" AND "PATH DEPENDENT" POLITICAL ECONOMIES:
DEDUCTIVE ANALYSIS? EMPIRICAL ANALYSIS? CONFRONTATION OR SYNTHESIS?