

AMERICAN POLITICAL ECONOMY

GOVERNMENT 30.7

Mondays, Wednesdays, and Fridays, 12:30-1:35, Carpenter 201c

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Office hours Tuesdays 12-2 and by appointment, 209 Silsby

Course Description

This course is an introduction to the political economy of the United States. You will learn about the politics behind economic policy-making and the role of economic processes in politics throughout U.S. history under three headings: ideas, interests, and institutions. We will discuss answers to these questions:

1. How have economic policies changed in the U.S.?
2. How have economic policy *ideas* changed in the U.S.?
3. How important are new economic ideas, the political power of interest groups, and the constraints imposed by U.S. political institutions in setting the trajectory of American economic policies?
4. How have U.S. political institutions evolved to meet new economic challenges?

We start by examining theoretical frameworks for analysis: general explanations for why markets and states work the way they do. Then we apply those theories to interpret and understand the development of the American political economy from the colonial period to the present. The topics we study include the political economy of American Founding, business and financial regulation, slavery and the Civil War, monetary policies and the Great Depression and Recession, U.S. fiscal federalism, and the unique American welfare state. (To learn about trade and other international economic policies in the U.S., you should take Gov 58, International Political Economy.)

The goals of the course are as follows:

1. To become familiar with competing perspectives on, and analytical approaches to, the role of the state in the economy. We will consider both market-oriented and state-oriented views, as well as rational-choice, ideational, and social-structural explanations.
2. To understand the key actors in the American political economy, including corporations, labor unions, financial institutions, and government agencies, and the relationships among them.
3. To understand how the role of the state has changed over time and how to evaluate its impact on the economy.
4. To understand the kinds and standards of evidence we can use to assess competing explanations of political-economic phenomena.

Course Requirements and Grading

Assignments

Class will combine lectures and discussion sessions, and attendance is required. You must do *all* the reading for a particular class meeting before that class. Class participation (quality and quantity) comprises 15% of your course grade. There are two 1600-word essays on assigned topics, which will count as 12.5% of your grade each. There will be two short-answer quizzes, worth 10% of your grade each (April 11 and May 27). There will be a take-home essay final exam, which counts for 40% of your course grade. Like the short papers, this exam must meet all the requirements of a standard academic paper, including citations of sources.

Absences, Late Work

Excused absences from in-class assignments must be discussed with the instructor. In the case of a scheduled, College-sponsored or College-recognized, extracurricular event, you must inform me at least a week in advance to make alternative arrangements. For family and medical emergencies, you must obtain documentation and contact me as soon as practicable after returning to campus. For take-home assignments, I do not offer extensions except in extraordinary cases of long-lasting family and medical emergencies, but you may obtain permission to submit an assignment electronically.

Work that is late without an excuse will be deducted half a letter grade up to a week, a letter grade at a week, and another letter grade at each week thereafter.

Readings

All readings are required. Readings not drawn from the books are available on the course's Canvas site. I have ordered the following books for the course, which are available at the bookstore and online at low cost:

- Marc Allen Eisner (2013), *The American Political Economy: Institutional Evolution of Market and State*, 2nd ed. (New York: Routledge). ISBN: 978-0415708210.
- Roger L. Ransom (1989), *Conflict and Compromise: The Political Economy of Slavery, Emancipation, and the American Civil War* (New York: Cambridge UP). ISBN: 978-0521311670.
- Douglas A. Irwin & Richard Sylla (eds.) (2011), *Founding Choices: American Economic Policy in the 1790s* (Chicago: U of Chicago P). ISBN: 9780226384757.

In addition, I am giving you "I, Pencil" by Leonard Read and *Economics in One Lesson* by Henry Hazlitt.

Remember to bring to class all the readings assigned for a particular day. That means that you will need to print out Canvas readings.

Schedule of Topics and Readings

1. Tools for Analysis: Economics (no reading for Mon. March 28)

Adam Smith, *An Inquiry into the Nature and Causes of the Wealth of Nations*, Book I, ch. 2.

Read, “I, Pencil.”

Hazlitt, chs. 1–3. (Wed. March 30)

F.A. Hayek (1945), “The Use of Knowledge in Society,” *American Economic Review* 35: 519–30.

Sanford J. Grossman & Joseph E. Stiglitz (1980), “On the Impossibility of Informationally Efficient Markets,” *American Economic Review* 70 (3): 393–408, **introduction and “I. The Model” only**. (Fri. April 1)

Class canceled Monday April 4.

Paul A. Samuelson (1954), “The Pure Theory of Public Expenditure,” *Review of Economics and Statistics* 36 (4): 387–89.

R. H. Coase (1960), “The Problem of Social Cost,” *Journal of Law and Economics* 3: 1–44, **only pages 1–8**. (Fri. April 8)

2. Tools for Analysis: Politics and History

Charles E. Lindblom (1982), “The Market as Prison,” *Journal of Politics* 44 (2): 324–36, **only pages 324–32**.

Eisner, ch. 1. (Mon. April 11)

Eisner, ch. 2. (Tue. April 12 [**note: meet at X-hour**])

Gary S. Becker (1983), “A Theory of Competition Among Pressure Groups for Political Influence,” *Quarterly Journal of Economics* 98 (3): 371–400, **only pages 371–3, 380–8, 392–4**. (Wed. April 13) *Quiz #1*

Class canceled Friday April 15.

3. Founding Choices

[James Madison], *The Federalist* no. 10

Thomas Paine (1795), “Agrarian Justice,” **paragraphs 328–342 only** (Mon. April 18) *Short essay #1 topic announced*

Sonia Mittal, Jack N. Rakove, & Barry R. Weingast, “The Constitutional Choices of 1787 and Their Consequences,” in Irwin & Sylla, pp. 25–58. (Tue. April 19 [**note: meet at X-hour**])

Richard Sylla, “Financial Foundations: Public Credit, the National Bank, and Securities Markets,” in Irwin & Sylla, pp. 59–88. (Wed. April 20)

4. Slavery, Trade, and Sectionalism in Antebellum America

Ronald Rogowski (1989), *Commerce and Coalitions: How Trade Affects Domestic Political Alignments* (Princeton, N.J.: Princeton University Press), **only pages 3–20, 43–4, 47–8, 166–8**. (Fri. April 22)

Ransom, pp. 2–11, 19–21, 47–72. (Mon. April 25)

Ransom, pp. 82–92, 100–20, 123–46, 155–68. (Tue. April 26 [**meet at X-hour**])

5. The Second Industrial Revolution

Ransom, chs. 7 & 8. (Wed. April 27) *Short essay #1 due*

Alfred D. Chandler, Jr. (1992), “Organizational Capabilities and the Economic History of the Industrial Enterprise,” *Journal of Economic Perspectives* 6 (3): 79–100, **only pages 79–85, 90–99**. (Fri. April 29)

John Joseph Wallis, “The Other Foundings: Federalism and the Constitutional Structure of American Government,” in Irwin & Sylla, *Founding Choices*, pp. 177–216. (Mon. May 2) *Short essay #2 topic announced*

6. Progressivism, War, and Depression

Eisner, ch. 3. (Wed. May 4)

Barry Eichengreen (1992), “The Origins and Nature of the Great Slump Revisited,” *Economic History Review* 45 (2): 213–39, **only pages 221–236**. (Fri. May 6)

Eisner, ch. 4. (Mon. May 9)

7. Postwar Development

Eisner, chs. 5 & 6. (Wed. May 11)

8. The Reagan Revolution

Eisner, ch. 7. (Fri. May 13)

9. The Financial Crisis and Great Recession

Eisner, ch. 10.

Scott B. Sumner (2012), “The Case for Nominal GDP Targeting,” Mercatus Center at George Mason University, **only pages 7–19**. (Mon. May 16)

10. Poverty, Inequality, and the Welfare State

Christopher Howard (1993), “The Hidden Side of the American Welfare State,” *Political Science Quarterly* 108 (3): 403–36, **only pages 403–18, 421–30**.

OECD Statistics, “Total Net Social Expenditure”

Eisner, ch. 8 (Wed. May 18) *Short essay #2 due*

11. Political Economy of Regulation

Stephen Ansolabehere, John M. De Figueiredo, and James M. Snyder (2003), “Why Is There So Little Money in U.S. Politics?” *Journal of Economic Perspectives* 17 (1): 105–30. (Fri. May 20)

Bruce A. Ackerman & William T. Hassler (1981), *Clean Coal/Dirty Air* (New Haven: Yale UP), pp. 1–4, 26–33, 42–58.

Richard Schmalensee, Paul L. Joskow, A. Denny Ellerman, Juan Pablo Montero, and Elizabeth M. Bailey (1998), “An Interim Evaluation of Sulfur Dioxide Emissions Trading,” *Journal of Economic Perspectives* 12 (3): 53–68, **pp. 53–56, 66–67 only**.

Robert N. Stavins (2009), “The Wonderful Politics of Cap-and-Trade,” *The Environmental Forum* Sept./Oct.: 16. (Mon. May 23)

Jonathan Gruber (2008), “Covering the Uninsured in the U.S.,” NBER Working Paper No. 13758, **pages 3–22 only**. Scott E. Harrington (2010), “The Health Insurance Reform Debate,” *Journal of Risk and Insurance* 77 (1): 5–38, **pp. 5–14, 20–31 only**. (Wed. May 25) *Quiz #2*

12. Review (Fri. May 27) *Final essay exam distributed.*