

PE 101 Terms and Conditions for taking this class (use 1>clicker)

- The text, The Political Economy Reader, is available for purchase at the ASUC store
- Students are required to subscribe to the PRINT version of the Wall Street Journal, Print subscriptions give full access to online versions of the paper.
- Students are required to complete all of the readings.
- Attendance at lectures is required.
- The use of laptops and PDAs in class is not permitted. Please take notes with paper and pen/pencil.
- Attendance (10%)
- Attendance is a required part of course. You are permitted to miss three classes for any reason to accommodate extracurricular activities, sleep deficits, epidemics, earthquakes, etc. After three absences, I will deduct 5% from your participation grade (0.5% from your final grade) for each additional absence, regardless of why you missed class. You may be exempted for recurring issues such as membership in a sports team or a chronic illness. You should bring these issues to my attention before or immediately after you miss class and be prepared to provide supporting documentation.
- Participation (20%)
- Because I am interested in developing your ability to think critically and communicate, participation counts heavily toward your final grade. I define participation broadly to include classroom discussion (raising and answering questions), posts to the Political Economy Facebook Group (new posts, responses and questions), interaction with me (email, speaking after class and office hour visits), and short newspaper and other assignments—including quizzes. If you are concerned about participation, contact me and we can discuss strategies to raise your grade. Please contact me before the end of the semester to express concerns about your participation grade.
- Short exam (5%) September 19. This exam will test your understanding of the reading through Sept 19 and your ability to integrate the readings and lectures.
- In-Class midterm (25%)
- This exam will be divided into two parts. Part one (thirty minutes) requires you to answer several short IDs. To answer the short IDs, you should (1) define the ID (usually a concept, individual or event), (2) discuss its relationship to broader issues and other concepts discussed in the course readings and lectures, and (3) establish its theoretical significance (ideally in relation to one or more of the approaches we have been analyzing in class). IDs will be selected from readings and lectures.
- Part two (50 minutes) requires you to write either one essay or two short essays. In-class essays will be graded in terms of argument, clarity, explanation and evidence.
- Final (40%)
- The Final will be an in-class exam
- CLASS CONDUCT
- Reading Assignments
- This course includes a heavy reading load (100-150 page per week) to help you become efficient and active readers. You are expected to complete all required readings by the date listed in the syllabus. These readings will help you contribute to class discussion, answer the short identifications and complete the written assignments (see below).
- Disruptions
- You are asked to follow basic etiquette in class by arriving and leaving on time, silencing all telecommunication devices, raising your hand before speaking in class and refraining from insults or threatening behavior. I reserve the right to lower your participation grade if you do not adhere to these basic guidelines.
- Late Papers
- I expect you to attend all exams and turn in all assignments on time. Late assignments will be deducted by two-thirds of a letter grade once the deadline has passed and an additional two-thirds of a letter grade every 24 hours after that. Extensions and make-up exams are reserved for documented medical and family emergencies. Extension requests are more compelling if you contact me in advance about a potentially disruptive medical or family condition.
- Plagiarism
- Plagiarism, the act of using another person's words or ideas and presenting it as your own deliberately or by accident, is viewed as a particularly serious offense and will be reported and prosecuted to the fullest extent possible. Note that plagiarism includes not only the unattributed use of specific words, but also extends to ideas, charts, data and phrasing. Make sure you identify the source of any material that is not your own. You do not need to cite facts that are common knowledge, but the words and phrasing should be your own and not someone else's.
- Grade Changes
- Computational errors should be brought our attention immediately. Other grade appeals should be submitted in writing no sooner than 7 days and no later than 21 days after receiving a graded assignment. Such appeals should explain why the previous grade was inaccurate in one to two pages and include a copy of the original assignment. Upon receipt of an appeal, I will re-grade the assignment in its entirety. I reserve the right to lower a grade if I discover mistakes that I overlooked initially.

1.



2.



Rational Choice and cooperation

Problems of Collective Action and the
Coase Theorem

Review and Today's Menu:

- Rational choice and competition
 - We don't always make rational decisions (Elster)
- Competition: an essential feature of markets
 - Good because markets coordinate without cooperation, competition drives efficiency
 - Good because Markets are blind
- Today.....Market failure and need for cooperation
- How can you get cooperation?
 - Government Authority
 - Coase Theorem (favorite of economic liberals)

Review: An in-depth look at rationality (Elster)

- Do we always make rational, self-interested decisions?
 - What is a rational, self- Interested decision?
 - Choosing the best means of achieving your goals, given your beliefs and the best information you can get.
 - Beliefs have to be rational
 - Information has to be optimal (three bears theory of information)
 - Game theory shows that we are self-interested and therefore non-cooperative, even when cooperation would be best
 - But rational self-interest doesn't always guide our behavior
 - Emotions
 - **Altruism**
 - ***Social and moral Norms***
 - ***Duty***
- *These are times* when we are not “rational” or self interested and put others’ needs before our own.



But Game theory tells us that these times are rare.....

- Stag Hunt and PD.
- They show us the problem of collective action/cooperation
 - That the only way to get cooperation is through government coercion
 - And governments distort the market
 - And constrict our freedom
- So Economic Liberalism with its key assumptions may be the best theory to guide the goals and processes of linking power and wealth in political economy

Nonetheless, there are also times when we can get cooperation as the optimal outcome without coercion:

SMALL GROUPS

- We can join with others to solve polit. Econ problems—
Why?
- More social incentives
 - Social norms
 - reputation
- Selfless behavior is rational (Altruism)
- **Transparency (optimal information)**
- If Long term Interaction
 - Learning
 - Trust
 - consensus

People behave differently in Large Groups than in small ones

- The large group problem of collective action /cooperation
 - the typical participant won't cooperate that much
 - No social costs for narrow self-interested behavior
 - Selfless behavior is not even praiseworthy
 - People think their own efforts will probably not make much difference to the outcome

large groups encourage “free riders”



Free riders and The Lighthouse Analogy



Markets are large groups so self-interested competition is good.....but then there are times of

- Market failure:
 - fraud and cheating
 - Provision of Public goods....what are they?

The way the collective action problem is overcome

- Government authority
- Government provision of public goods
- Technical monopolies