

Government 83.02

Politics and Markets

Fall 2015
 T (4-5:50) -Th (4-5:50) 3A
 X-hour W: 3-4:15
 Professor Linda L. Fowler

Office: 010 Silsby Basement
 Office Hours: Wed: 2-4 or by appointment
 Phone: 646-0009 Office
 643-1321 Home

e-mail: Linda.Fowler@Dartmouth.edu

Course Objectives:

The late Arthur Okun, a respected economist, once said: "There is a place for the market and the market must be kept in its place." Today the place of the market remains the subject of intense political debate about government's responsibilities and citizens' expectations regarding its scope. Finding the proper balance between the market and the state has taken on new urgency in recent years with the financial collapse in 2008, trillion dollar budget deficits, rising income inequality, major reforms to the financial and health care systems, and looming consequences of global warming. Rhetoric about the size of government figured prominently in the 2012 presidential election and will be a major theme of the 2016 contests.

There are several different, but related dimensions to this debate. The first involves the tension between market values and public values, particularly the assumptions we make about human nature and the goals of political community. To what extent are the welfare of the few and the welfare of the many interdependent? Are democratic citizens rational egoists or do they seek other goals beyond individual utility maximization? The second has to do with how well markets function. Is market failure relatively uncommon or is it widespread? What, if anything should government do to correct the breakdown of market efficiency? What leads to ineffect government efforts to correct market failures? The third entails insurance against risks--old age, poor health, economic crises, natural disasters and the like. Should government provide insurance to protect individuals against harm? If so, what criteria should government apply in deciding what risks receive public help? The fourth has to do with the inequalities that are the inevitable by-product of market competition. When does inequality become a problem in a democratic society? Are some methods for reducing inequality more efficient or just?

We will examine each of these themes with readings drawn from political science, public policy, economic history, welfare economics, political theory and public law. We will use classic books and articles to explore the big themes and topical pieces to illustrate their applicability to contemporary politics and economics.

Readings:

In addition to the required texts listed below, students will be reading selected chapters and articles posted on the Canvas website for this course. In choosing the assigned readings, I have tried to give equal time to both sides of the ideological divide. The books below are at Wheelock Bookstore.

Cassidy, *How Markets Fail: The Logic of Economic Calamities*, 2009-10
 Lindblom, *The Market System*, 2001

Assignments:

Each student is responsible for a research paper on a topic of his/her choosing, which should be 20-25 pages. The paper involves several different steps listed in the syllabus: 1) proposal; 2) bibliography; 3) final version. Oral presentations will occur during the last days of class and will not be graded. Fran Oscadal, the reference librarian for social science, has set up a website to assist you with finding sources. He will also be attending class to show you how to use it.

In addition, all students will write two critical essays of no more than five pages each during the first three weeks of the semester that analyze the assigned readings and case study. Students may choose the day for which they want to write and will be responsible for circulating their papers the day before class.

Finally, all students should be prepared to engage in discussion, especially if they have written an essay for a particular day. I will circulate questions in advance and use occasional spot quizzes to facilitate participation.

Requirements:

Students should follow College procedures for citation outlined in the newly revised booklet, *Sources*. Pay particular attention to how you reference the ideas of authors, as well as direct quotes. I take plagiarism very seriously and do not consider ignorance of the rules an acceptable defense.

Late assignments receive a deduction of one grade per day, unless students have obtained an extension from me. I give extensions for students who anticipate major conflicts with other course requirements, *if they ask in advance*. For emergency situations, students should call me at home or email me to get permission to hand an assignment in late.

Students with special needs should talk to me outside of class about how we can make the learning environment most supportive.

Grades:

Research Paper –50 percent
 Research proposal (2 pages)--10 percent
 Bibliography (10-15 citations)—10 percent
 Final paper (20-25 pages)—30 percent
 Critical essay—20 percent
 Critical essay—20 percent
 Class participation and spot quizzes—10 percent

I have not planned to give a final exam in the course, but reserve the right to schedule one if I conclude that students are not preparing carefully for class.

Weekly Schedule:**I. Overview of the relationship between politics and markets**

Th 09/17 Introduction—No Assignment
 T 09/22 Goals for a democratic society: individuals and communities
 The individualistic tradition
 Madison, *Federalist* 10, Canvas

Tocqueville, Excerpts on individualism and civic participation, Canvas
 Friedman, *Capitalism and Freedom*, excerpt, Canvas
 The communitarian tradition
 Aristotle, *The Politics*, excerpt, Canvas
 Mansbridge, *Beyond Self-Interest*, ch.1, Canvas
 Case study:
 TED talks on happiness. Lectures by Barry Schwartz and Dacher Keltner
http://www.ted.com/talks/barry_schwartz_on_the_paradox_of_choice
http://www.youtube.com/watch?v=KsFxWSuu_4I
 PBS Newshour, "Can Money Buy Happiness?"
<http://www.youtube.com/watch?v=NNMeXdsaybo>

III. What do markets and the state do well or poorly?

- Th 09/24 What markets do well
 Lindblom, *The Market System*, ch. 1-7
 Samuelson, "Harvard's Silly and Dreary Innovation Debate," Canvas
 Case Study: Bloomberg Business. "Uber's Manhattan Invasion Killing..."
 and "A Virtual Garage Sale Takes on Craigslist," Canvas
- Sat 09/26 Markets and the state
 Lindblom, ch. 8-17
 Case Study: What should money buy?
http://www.ted.com/talks/michael_sandel_why_we_shouldn_t_trust_markets_with_our_civic_life
 – Irwin, "More People Work in Countries with High Taxes and Generous Welfare," Canvas
- T 09/29 Market failures
 Cassidy, *How Markets Fail*, ch. 1-8
 Daly, *Our Mismeasured Economy*, Canvas
 Case Study:
 Nocera, "Sheila Bair's Bank Shot," Canvas
 Lewis, "Wolf Hunters of Wall Street," Canvas
- Th 10/01 Sources of state failure: incomplete information, rent-seeking and inefficiency
 DeCanio, "Democracy, the Market, and the Logic of Social Choice," Canvas
 Jacobs and King, "America's Political Crisis: The Unsustainable State In a Time of Unraveling." 2009, Canvas
 Schuck, *Why Government Fails So Much*, ch. 3, Canvas
 Teles, "Kludgeocracy in America," Canvas
 Case Study: Brown and Jacobs, *Private Abuse of the Public Interest*, ch. 4, Canvas
- T 10/06 Market methods for correcting market failures
 Kamarck, "The End of Government as We Know It," Canvas
 Goulder, "Markets for Pollution Allowances: What are the (New) Lessons?" Canvas
 DiUlio, "Bring Back the Bureaucrats," Canvas
 Case Study: McCoy, "Meet the Outsider who Accidentally Solved Chronic Homelessness," Canvas

- Th 10/08 Markets and National Defense
 Singer, *Corporate Warriors*, ch. 4, Canvas
 Thorpe, *Warfare State*, ch.1, 5, Canvas
 Case Study: Kriner and Shen, *The Casualty Gap*, ch.2, Canvas

IV. Socializing risk

- T 10/13 Private and public aspects of risk
 Sugarman, "Roles of Government in Compensating Disaster Victims,"
 Canvas
 Levy, "How Americans Face Risk," *New Republic* 2013, Canvas
 Lewis, "In Nature's Casino," Canvas
 Admati and Hellwig, "Emperors of Banking Have No Clothes," Canvas
 Case Study: Rand Report on Compensation of 9/11 Victims, Canvas
- Th 10/15 Paper Proposals due. Be prepared to give a brief synopsis of your question and why it is interesting**
- Workshop on bibliographic resources with social science librarian,
 Fran Oscadal**
- T 10/20 The Middle Class Welfare State
 Howard, *The Welfare State Nobody Knows*, Ch. 1, 3-4, Canvas
 Mettler, *The Submerged State*, ch.2-3, Canvas
 Case Study: Simpson-Bowles, National Commission on Fiscal Responsibility,
 Canvas
 GUEST SPEAKER; FORMER U.S. SENATOR JUDD GREG (R-NH)
- Th 10/22 The 'Invisible Hand' of Government and the Problem of Accountability
 Gawande, "The Cost Conundrum," Canvas
 Moe, "The Emerging Quasi-Government," Canvas
 Case Study: Bridgeland and Orzag, "Can Government Play Money Ball?,"
 Canvas
- T 10/27 Bibliographies Due**
- Experiments on inequality

V. Economic Inequality: Is There a Role for the State?

- Th 10/29 How much economic inequality in the U.S. is there?
 Bartels, *Unequal Democracy*, ch.1, Canvas
 Gilbert, "The Rich are Even Richer...," Canvas
 Putnam, *Our Kids*, ch. 1,2, Canvas
 Case Study: Pew, "Pursuing the American Dream: Economic Mobility Across
 Generations," Canvas
- T 11/03 How "natural" is the current distribution of income?
 Piketty, *Capital*, Introduction, Canvas

Stiglitz, *Price of Inequality*, Ch. 2, 4
 Manikew, "Defending the One Percent." Canvas
 Case study: Saez et al, "\$320,000 Kindergarten Teachers," Canvas
 Miller, "For Working Mothers, a Price to Pay," Canvas

- Th 11/05 Economics, social class and political participation
 Lacy, "Moochers and Makers in the Voting Booth," Canvas
 Gelman et al, *Red State, Blue State*, Ch. 2, 6, Canvas
 Schlozman et al, *The Unheavenly Chorus.....*, ch.5, Canvas
 Case Study: "Supreme Court Strikes Down Spending Limits," Canvas
- T 11/10 The politics of inequality
 Bonica, McCarty, Poole and Rosenthal, "Why Hasn't Democracy
 Slowed Rising Inequality?" Canvas
 Bartels, *Unequal Democracy*, Ch. 2, 6, Canvas
 Hetherington, *Why Trust Matters*, ch. 3, Canvas
 Case Study: Thorpe, "Urban Divestment, Rural Decline and the Politics
 Of Mass Incarceration," Canvas
- Th 11/12 Paper presentations and dinner at Fowler's immediately following**
- T 11/17 Paper presentations in class**
- Mon 11/23 Papers due in my office at 5pm**