

Politics and Markets
MC 341—001
James Madison College, Michigan State University
Fall 2015

“The ideas of economists and political philosophers, both when they are right and when they are wrong, are more powerful than is commonly understood. Indeed the world is ruled by little else.... Madmen in authority, ... are distilling their frenzy from some academic scribbler of a few years back.”
J.M. Keynes

Basic Course & Contact Info

Days & Time: MW, 12:40 – 2:00 pm

Room: 339 Case Hall

Course Management Site: d2l.msu.edu

Phone and Computer Policy: Phones away and on airplane mode; no tablet and/or laptop use during class time unless authorized by professor.

Instructor of Record: Ross B. Emmett

Office: 304 S. Case Hall

Office Hours: MW 3-5

Preferred Method of Contact for Course-Related Questions: inquiries of relevance to all students should be asked on the Piazza discussion platform, available via D2L or Piazza.com; private questions can be asked via email.

Email: emmettr@msu.edu

Phone: 517.432.6139

Yes, I am on Facebook, but I am only “friends” with graduates, not current students. You can check out my website (www.msu.edu/~emmettr) or follow me on LinkedIn or Academia.edu.

Course Description

MC 341 is the core course in the Political Economy specialization, and the specialization’s only required course. It is also required for the JMC Business Cognate, and is a selective for the PTC D elective course.

Debate over the relative merits of political v. economic solutions to societal problems have come roaring back over the past decade in the aftermath of the 2008 financial crisis, the rise of populist, authoritarian, and socialist regimes in Latin America, Russia, and elsewhere in the wake of neoliberalism, and the concern in North America and Europe about inequality highlighted by the Occupy! movement and Thomas Piketty’s *Capital in the Twenty-first Century*. Everywhere, it seems, market-oriented solutions to

public policy are under attack. At the same time, however, we are beginning to realize how transformative the years between 1980 and 2010 (what historians may call the “neoliberal” years) were for global prosperity: World Bank figures show that the percentage of the human population living in extreme poverty fell from approximately 40% in 1980 to less than 20% in 2010 (and subsequent drops now put the number at about 15%). China and India, whose populations had remained stubbornly poor in the post-war period, saw both rises in real incomes across all segments of their societies, and greater integration in the global economy. Even Sub-Saharan Africa, the one area of the world that had remained almost unchanged in terms of poverty since colonialism ended, has begun to see rises in real incomes in the last decade, despite regimes that vary from authoritarian to democratic, and socialist to market-friendly.

Thus, the debates over market solutions v. state-policy solutions remain not only relevant, but essential, today. The field that focuses on these debates is political economy: the field that stands at the intersection of politics, philosophy, and economics. There are many types of political economy, because there are different approaches to politics and different approaches to economics. And behind these varying approaches lie different philosophical assumptions about human beings, society, power, and ethics. Rather than attempting a broad survey of these approaches, MC 341 takes the opposite approach: immersion in a single approach, while providing students who find themselves in disagreement with that approach the opportunity to sort out exactly what brings them to disagree.

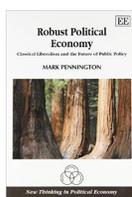
The political economy approach adopted this semester is MC 341 is often called “classical liberalism” – an approach emphasizing the role of private property, open markets, civil society, and limited government. The course begins with a set of readings from significant 20th century sources in the classical liberal tradition: Frank Knight, FA Hayek, and Ron Coase. These readings not only set out an appreciation for markets, but also highlight key philosophical assumptions of the classical liberal tradition – the constrained nature of human choice (both economic and political), the limits of human knowledge, and market and states as coordinating devices; along with some unexpected outcomes – how limited knowledge actually contributes to innovation, how integration into markets expands human welfare, and the nature of public choice. We will then turn our attention to an examination of how that classical liberal tradition helps us to understand not only market settings, but also non-market settings – in this case the US penal system. The first paper provides students with the opportunity to reflect on both the first set of readings and Skarbek’s *The Social Order of the Underworld*.

The bulk of the course involves our reading of Mark Pennington’s *Robust Political Economy*, which lays out in more careful form a political economy built upon classical liberal assumptions and applies it to major public policy issues today. Students will have the opportunity to interact with Pennington’s views in both a research paper and the final paper.

Official Description

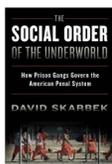
Comparative study of firm, market, and government relations. Variations in the institutions of the mixed economy across countries. Normative principles for evaluating state and market relations. Positive political economic theories of government behavior in market economies.

Required Reading



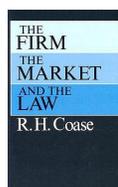
Pennington, Mark (2011). *Robust Political Economy: Classical Liberalism and the Future of Public Policy* (Edward Elgar)

NOTE: Available in hardback and paperback. Used copies available. Will be used for class discussion throughout the course.



Skarbek, David (2014). *The Social Order of the Underworld: How Prison Gangs Govern the American Penal System* (Oxford University Press).

NOTE: Available in hardback and paperback. Used copies available. Will be used for class discussion in early October.



Coase, R. H. (1998), *The Firm, The Market, and the Law* (University of Chicago Press).

NOTE: Lots of used copies available. Will be used for class discussion.

Students will also be required to read several essays/articles. Links or files of those readings are available on the D2L site.

Overview of Course Requirements

All course work will be graded on a percentage basis (out of 100%). On D2L, assignments and averages will also appear in percentages. Conversion to the university's 4-point scale will follow this chart:

94-100%	4	67-73%	2
87-93%	3.5	60-66%	1.5
80-86%	3	50-59%	1
74-79%	2.5	<50%	0

Course Requirements with Grading Weights

Daily Memos	Min. requirement
Participation	15%
Paper 1	22%
Research Paper	35%
Paper 2	28%

Please note: failure to complete the research paper constitutes failure to complete a major assignment in the course, and is grounds for an automatic zero in the course (regardless of how well you do on other course requirements). *Please consult with the professor if you foresee any difficulties with completing the research paper!*

Detailed Descriptions of Course Requirements

Participation

Most class periods will be spent discussing assigned reading; hence, it is important that everyone has read the material for the day (the daily memo requirement will help with that). Your participation grade will reflect your participation in class discussion on a regular basis. If you are not present in class, you cannot participate; if you are continually absent, your participation mark will necessarily be zero. Remember that the quality of one's remarks in class is as important as their quantity: frequent poor-quality comments will no more earn you full credit for participation than will attendance with little participation in discussion.

Here is a rough guide to my grading of participation (since frequent absences result in a failing grade no matter how much you participate when present, I've deleted the bottom end of the grade descriptions): 77% (approximately 2.5/4.0) for regular attendance and a few comments/questions in class; 80% (3.0/4.0) for regular attendance and some good contributions; 85% (3.3/4.0) for very good attendance and good contributions; 90% (3.5/4.0) for showing familiarity with the readings, leadership

in the direction of class discussion occasionally and attending regularly; 95% (3.8/4.0) for regularly moving class discussion forward by providing productive comments based on the readings that contribute to discussion and also help others to enter/participate in the conversation.

My practice is to inform you around the middle of the semester about how I would evaluate your participation to that point. While you can discuss this grade with me, the best way to have an impact on the final grade is to change your participation during the latter half of the course. I will revise the participation grade at least once during the second half of the course, and will finalize the grade at the end of classes.

Daily Memos

Daily memos ensure that the assigned reading has been read (or at least looked over!) by a plurality, if not majority, of the students participating in the day's discussion. Their purpose is not to make sure you get the text "right," but to start you thinking about themes that central to the text, and their relevance to political economy.

How daily memos work: prior to class, you will write a two-page (typed, double-spaced) memo that addresses the following: **a)** what questions about political economy does the reading address? What answers does the author provide to these questions? *This is the most important section of the memo;* and **b)** your favorite quotation from the reading, with an explanation of its relevance to our discussions. In order to assist me in reading your memo, please use the following headers to separate the two issues: **Questions** and **Favorite Quotation**.

Memos are turned in at the beginning of a class period. Those who are not in class (not matter what the reason) or who know they will arrive significantly late need not prepare a memo for that day. There is no need to appeal for permission to turn in a memo on a day you know you will miss. (I know that everyone has legitimate reasons for missing some classes, and have compensated for that in setting the minimum number.) Simply ensure that you prepare memos for the days you are in class. If you are in the hospital for more than two weeks, please contact me while in the hospital to make arrangements. If in doubt about whether you can complete an acceptable memo on a particular date, you should not turn a memo in, because a check-minus is no better than a missed memo. You simply need 17 acceptable daily memos on record by the end of the term.

To ensure that we can keep track of your memos over the semester, please put the following information on separate lines at the top (left) of your memo: Your name; MC 341, and the Date of class for which you're turning in the memo. If you wish to number your memos, you may add a line which reads "Memo # ___."

Your professor will grade daily memos on a check, check-minus system. As long as you turn in at least 17 memos that are acceptable and therefore receive a check, your final grade will be determined by the other components of the course requirements, as indicated above. If you do not turn in 17 acceptable daily memos, your final grade will decrease .3% for every missed memo or check-minus received. (The maximum one can

lose from not turning in memos is 5%) Daily memos will be returned at least once a week, if not more frequently.

How can you ensure a check on your memos? My response is threefold. First, a memo is not a summary of the assigned reading. Memos that are simply summaries seldom earn a check. The student must make, in my estimation, an effort to discover the text's central questions and uncover the logic it uses to answer them. Secondly, my "standard" for a check is a memo that would earn at least a grade in the low 3-point range. Such a memo has the basics of the argument about the text's central questions. Finally, the argument you make does not need to be the "correct" interpretation. We can only learn the meaning of the text if we try to understand it ourselves; and our initial understanding is often confused and partial. But it is better that we try to interpret the texts ourselves, than that we leave the job of interpretation to others—including the prof!

Papers

Each student will turn in two papers analyzing arguments from the course reading materials. Due dates are indicated on the course reading/assignment schedule.

Paper 1 (5-6 pages) will be on the following question:

- David Skarbek's *Social Order of the Underworld* uses an approach to political economy built upon our foundational readings about markets at the beginning of the course to explain a non-market setting – the social life of US prisons. Using Skarbek as your case study, do you think the political economy we have learned from Knight, Hayek, Coase, and Pennington (first few chapters) can explain non-market settings, or is it an ineffective explanation of non-market social life? Why, or why not?

Paper 2 (6-8 pages) will be on one of the following three questions:

- Ronald Coase argues that the social decision to respond to an externality takes the form of choosing to impose costs on one person in order to benefit the other person, and the choice made could go either direction (or we could decide not to respond via policy to the externality). Is Coase's argument relevant to our quest to protect the environment? Why, or why not? [Hint: Pennington's chapter on environmental protection, and the Banzhaf reading, provide more examples of how Coase's argument pertain to the topic.]
- A common criticism of market societies is that market relations "thin" the rest of our human relationships in ways that harm the continuance of families, communities, and associations; all of which are crucial to a rich human life. Pennington counters with the argument that classical liberalism has always encouraged a rich and diverse communitarian organization at the "micro" level, while expanding opportunities for "thin" relations at the macro-level that enhance general prosperity. Do you think markets "thin" our human relations too much? If so, could communitarian outcomes be enhanced in a market society

without the coercive power of the state, or is the involvement of the state a necessity?

- Throughout Pennington's book, he uses the argument that the institutions of private property, open markets, and limited government enhance human social and economic prosperity more than other options. Using EITHER the domestic welfare state OR international aid and development assistance, evaluate his argument. Is he right? Why or why not?

Each paper will address the question asked, and formulate an answer based on your interaction with the relevant course readings (and other relevant sources you already know about – no extra research needed for these papers).

Research Paper

Each student will write a research paper based on a question that engages an idea from Pennington's *Robust Political Economy*. The body of your paper should be 15-18 pages, not counting your list of references. The paper is due on December 8th before 11pm, and should be turned into the D2L dropbox. Late papers will be penalized 5% for each day late (weekends count as 1 day). Please read my guide to "How I Grade Papers" (available on D2L) for some indication of what I look for in papers, and how I will grade your performance. The paper should use proper citation techniques; I prefer in-text citations (author, date, page), but otherwise don't care which style you use as long as you are consistent throughout the paper.

The research paper writing process should be started by the beginning of November. Thus, before November 9th, you must email me the question you plan to address, and a short list of the sources apart from our class readings that you intend to use. I will provide email commentary on your topic and potential resources. I will also set up a set of scheduled sessions for students during the two weeks before Thanksgiving (Nov. 26) to meet with me and several other students in the class about their topics. ***Failure to participate in one of the scheduled sessions will result in a 5% penalty on your research paper grade.*** Details about the sessions and the schedule will be discussed in class and posted on Piazza.

Expectations

What you can expect from me

My pedagogical goal in this course is to provide a structured environment in which you learn to think about the intersection of philosophy, politics, and economics. Experience in James Madison College has taught me that students learn best from a combination of reading, listening to short lectures, participating in focused discussion, and writing. That is the environment I expect to provide you in this course.

MC 341 asks us to engage responsibly ideological viewpoints that may be different than our own. Being responsible about our own ideological viewpoints means that we have to put in the hard work of constructing a rational defense of our political, social, and economic view of the world. Questioning our assumptions, and learning to defend them, is essential to this task. In our readings, lectures, and discussions, you can expect to be asked to “get inside” views of the world that may be unfamiliar and potentially discomfoting, or disagree with the assumptions of your own ideology. I plan to model how one can engage such views responsibly.

I will be on time and will try to maximize our use of the time we have.

Lectures will focus on key issues from the readings that need expansion. They will be coupled with discussions that allow you to raise questions you have about the readings and the ideas you’re encountering, as well as point your attention to key tensions or challenges in the readings and lectures. You can expect me to give you the same opportunity to participate in discussion that I give to other students.

You have a right to clear explanations of the expectations for assignments, and to prompt and adequate feedback about your performance. Information regarding my expectations for tests, the research paper, and the essays will be provided in class and/or in the “How I Grade Papers” brief available on D2L. Individual feedback will be provided on your papers or tests, and you may come to talk about your performance during my office hours.

Your performance during university will be enhanced by contact outside the classroom with your professors. I welcome you to stop by my office early in the term to introduce yourself. I will respect my posted office hours, and can make appointments if the posted times are not convenient for you. Indeed, meeting with me occasionally during the term to discuss questions you have about the class can even increase your participation grade!

What I expect of you

I expect you to attend class, to have read the assigned material in advance, and to write a memo before class. I also expect you to come prepared for engagement in the discussion of topics related to the readings. Being engaged does not mean simply talking.

Engagement with class discussion comes in many forms. Constantly reading social media and/or sleeping through class are not among them! Thoughtful contributions that advance our common understanding of political economy will be rewarded more than simply talking.

I expect you to engage responsibly ideological viewpoints that may be different than your own. Being responsible about our own ideological viewpoints means that we have to put in the hard work of constructing a rational defense of our political, social, and economic view of the world. Questioning our assumptions, and learning to defend them, is essential to this task. In our readings, lectures, and discussions, I expect that you will “get inside” views of the world that may be unfamiliar and discomfoting, or that disagree with the assumptions of your own ideology. View this as an exercise in learning responsible ideology.

I also expect you will use the Piazza discussion platform as a means of both addressing questions you might have in the course, and discussing themes from

readings/lectures/discussions that you wish to pursue further. I encourage you to both ask questions on Piazza and answer them when other ask.

I expect you to prepare carefully for each of the papers. Take the time to sift through your ideas and your source(s) to identify a clear thesis and develop a clear argument to sustain that thesis. I expect you to attend one of the research paper group sessions as part of that preparation. Edit and re-write your paper to ensure that its organization reflects the logic of the argument. I expect you already write well, and that you can proof-read to catch mistakes caused by hasty writing or not thinking through the structure of paragraphs and sentences.

I expect you to treat others with the same respect you expect from them. This version of the “Golden Rule” extends beyond your classmates to the individuals whom you are studying. I expect you to respect the rights of those whose ideas you utilize in writing your papers. Acknowledging the sources of your own ideas is an integral part of participation in a civil democratic society, especially in the academic context. That dreaded p-word – plagiarism – is ultimately an issue of respect. College and University policies regarding academic dishonesty will be enforced in this course (see the *College Student Handbook*).

MC 341 Fall 2015 Schedule of Reading and Assignments

Sept. 2	Class Introduction Arnold Kling, "Differences of Opinion Among Economists About Government and Market Efficacy" (link available on D2L)
Sept. 7	NO CLASS: Labor Day
Sept. 9	Frank Knight, <i>The Economic Organization</i> , ch. 1 (available on D2L)
Sept. 14	Frank Knight, <i>The Economic Organization</i> , ch. 2 (available on D2L)
Sept. 16	F. A. Hayek, "The Use of Knowledge in Society" and "Competition as a Discovery Process" (both available on D2L)
Sept. 21	Ronald Coase, "The nature of the firm," <i>FML</i> , 33-55
Sept. 23	Ronald Coase, "The problem of social cost," <i>FML</i> , 95-156
Sept. 28	Ronald Coase, "The lighthouse in economics," <i>FML</i> , 187-213
Sept. 30	Skarbeck, <i>Social Order of the Underworld</i> , ch. 1-2
Oct. 5	No Class: in lieu of attendance at conference on Inequality (Dr. Emmett away)
Oct. 7	Skarbeck, <i>Social Order of the Underworld</i> , ch. 3-5
Oct. 8-10	Conference on Inequality http://lefrakforum.msu.edu/events/symposium-page.php
Oct. 12	Skarbeck, <i>Social Order of the Underworld</i> , ch. 6-7
Oct. 14	Pennington, <i>Robust Political Economy</i> , ch. 2
Oct. 19	Pennington, <i>Robust Political Economy</i> , ch. 2
Oct. 21	Pennington, <i>Robust Political Economy</i> , ch. 3
Oct. 23	Paper 1 Due before 11 pm
Oct. 26	Guest Lecture: Abigail Hall, "Political Economy of Drones & National Security." Class meets at 12:30 pm in Club Spartan, 3rd floor Case Hall
Oct. 28	Pennington, <i>Robust Political Economy</i> , chapters 3 and 4
Nov. 2	Pennington, <i>Robust Political Economy</i> , ch. 4
Nov. 4	Pennington, <i>Robust Political Economy</i> , ch. 5
Nov. 9	Pennington, <i>Robust Political Economy</i> , ch. 6
Nov. 10	Terry Anderson lecture, 7 pm
Nov. 11	Pennington, <i>Robust Political Economy</i> , ch. 6
Nov. 23	Pennington, <i>Robust Political Economy</i> , ch. 7
Nov. 25	No Class: In lieu of research paper meetings
Nov. 30	Pennington, <i>Robust Political Economy</i> , ch. 7
Dec. 2	Pennington, <i>Robust Political Economy</i> , ch. 8
Dec. 3	Research Paper Due before 11 pm
Dec. 7	Pennington, <i>Robust Political Economy</i> , ch. 8; and Banzhaf, <i>Political Economy of Environmental Justice</i> , Introduction (link available in D2L)
Dec. 9	Course Wrap-Up
Dec. 17	Paper 2 Due before 11 pm