Political Economy

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| Course code | *POL 138* |
| Compulsory in the programmes | *Economics and Politics* |
| Level of studies | *Undergraduate* |
| Number of credits | *6 ECTS (48 in-class hours + 6 consultation hours + 2 exam hours, 104 individual work hours)* |
| Course coordinator (title and name) | *Dr. Simonas Cepenas*  |
| Prerequisites | *None* |
| Language of instruction | *English* |

**THE AIM OF THE COURSE:**

The course aims to (1) familiarize students with different approaches to the study of political economy, (2) different levels of analysis with a particular focus on individual interactions and local economies, (3) different visions for state bureaucracy and its goals, and (4) key concepts used by the scholars in the field of political economy. By the end of the course students will have tools to analyze real world problems critically and through the prism of different frameworks.

**MAPPING OF COURSE LEVEL LEARNING OUTCOMES (OBJECTIVES) WITH DEGREE LEVEL LEARNING OBJECTIVES (See Annex), ASSESMENT AND TEACHING METHODS**

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| Course level learning outcomes (objectives)  | Learning objectives for BSc in Business Management  | Assessment methods | Teaching methods |
| CLO1. Analyze key approaches to the study of political economy. List assumptions and predictions different frameworks make. | ELO1.1., ELO1.2. | Midterm, final exam, seminars, quizzes | Lecture, Seminars |
| CLO2. Learn how to model interactions between individuals, firms, bureaucracies, nation states. | ELO1.1., ELO1.2. | Midterm, final exam, seminars, quizzes | Lecture, Seminars |
| CLO3. Introduce students to key concepts of political economy: economic calculation, moral hazard, adverse selection, market failures, and different types of goods including public goods, private goods, toll goods (club goods) and common pool resources. | ELO1.1.ELO 1.2. | Midterm, final exam, seminars, quizzes | Lecture, Seminars |
| CLO4. Learn about different levels of analysis: individual, local, state, and international levels. | ELO1.1., ELO1.2. | Final exam, seminars, quizzes | Lecture, Seminars |
| CLO5. Analyze the efficiency and quality of public administration through different lenses: monocentric and polycentric orders. | ELO1.1., ELO1.2., ELO2.1. | Final exam, seminars, quizzes | Lecture, Seminars |
| CLO6. Work in groups, facing time constraints. | ELO4.1., ELO4.2. | Seminar discussion | Seminars |
| CLO7. Synthesize, present, and defend results from group activities. | ELO4.1., ELO4.2. | Seminar discussion | Seminars |

**ACADEMIC HONESTY AND INTEGRITY**

The ISM University of Management and Economics Code of Ethics, including cheating and plagiarism are fully applicable and will be strictly enforced in the course. Academic dishonesty, and cheating can and will lead to a report to the ISM Committee of Ethics.

**COURSE OUTLINE**

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| **Topic** | **In-class hours** | **Readings** |
| Introduction: approaches to political economy | 4 | James Buchanan, [Nobel prize lecture](https://www.nobelprize.org/prizes/economic-sciences/1986/buchanan/lecture/). Other readings TBA |
| Economic calculation and the role of experts (prices) | 4 | Friedrich Von Hayek on the [Use of Knowledge](https://www.econlib.org/library/Essays/hykKnw.html) (optional), [Economic calculation](https://mises.org/library/economic-calculation-socialist-commonwealth/html/c/10) (required), and [Socialist calculation](https://www.jstor.org/stable/2548692?seq=1) (optional) |
| Market failures (public choice) | 4 | James M. Buchanan on [market failures](https://www.jstor.org/stable/30024887?seq=1), and Vincent Ostrom on [public choice](https://www.jstor.org/stable/1239090?seq=1). |
| Mechanism design (adverse selection and moral hazard) | 4 | George Akerlof on [the market of lemons](https://www.jstor.org/stable/1879431?seq=1) |
| Government failures | 4 | Robert H. Bates on [state failure](https://www.annualreviews.org/doi/abs/10.1146/annurev.polisci.11.060606.132017), and Keech and Munger on [government failure](https://link.springer.com/article/10.1007/s11127-015-0262-y) |
| Midterm examination | 4 |  |
| Social systems and Governance I (polycentricity v monocentric planning) | 4 | Elinor Ostrom’s [Nobel prize lecture](https://www.nobelprize.org/prizes/economic-sciences/2009/ostrom/lecture/) (available in video and article formats, required), Woodrow Wilson’s theory of [public administration](https://www.jstor.org/stable/2139277?seq=1) (required) and Max Weber’s [theory of state](https://www.cambridge.org/core/books/weberian-sociological-theory/webers-last-theory-of-capitalism/572F95D8007E7739054D90D7769C14B6) (optional) |
| Social systems and Governance II (polycentric systems) | 4 | Elinor Ostrom’s [presidential address](https://www.jstor.org/stable/2585925?seq=1) and Peter T. Leeson, The Invisible Hook: The Hidden Economics of Pirates (Chapters TBA) |
| Social systems and Governance III (property rights) | 4 | Terry L. Anderson & Peter J. Hill, The not so wild, wild west: property rights on the frontier (Chapters TBA), David Skarbek on [prison gangs](https://www.cambridge.org/core/journals/american-political-science-review/article/governance-and-prison-gangs/3CF8FD3BC0BBE774F94F850B5D8311A9) (optional), and Randall Collins on [Weber](https://www.cambridge.org/core/books/weberian-sociological-theory/webers-last-theory-of-capitalism/572F95D8007E7739054D90D7769C14B6) (required) |
| Public Finance and public debt (fiscal policy) | 4 | James Buchanan on [public finance](https://www.jstor.org/stable/1826554?seq=1) and discussion of [John Maynard Keynes](https://www.cambridge.org/core/journals/journal-of-the-history-of-economic-thought/article/keynes-public-debt-and-the-complex-of-interest-rates/5FBE1093A5872CA8D8195E29ED7EE500)’s views on fiscal policy  |
| Bitcoin and the Future of Money (monetary policy) | 4 | Milton Friedman’s presidential speech on [monetary policy](https://www.jstor.org/stable/1831652?seq=3) (required) and [Nobel prize lecture](https://www.nobelprize.org/uploads/2018/06/friedman-lecture-1.pdf) (optional), and Paul Krugman on [MMT](https://www.nytimes.com/2019/02/25/opinion/running-on-mmt-wonkish.html) (required) and Stephanie Kelton’s [response](https://stephaniekelton.com/paul-krugman-asked-me-about-modern-monetary-theory-here-are-4-answers/) (required) |
| Leader characteristics and trade agreements (trade policy) | 4 | TBA |
|  | **Total: 48 hours**  |  |
| CONSULTATIONS | 6 |  |
| FINAL EXAM | 2 |  |

**FINAL GRADE COMPOSITION**

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| **Type of assignment** | **%** |
| *Group Components (10%)* |  |
| Seminar participation | 10% |
| *Individual Components (90%)* |  |
| Quizzes | 10% |
| Midterm examination | 35% |
| Final examination | 45% |
| **Total:** | **100** |

**DESCRIPTION AND GRADING CRITERIA OF EACH ASSIGNMENT**

*(Provide short descriptions and grading criteria of each assignment)*

Quizzes will consist of multiple-choice questions. It will take place during lecture and will comprise 10% of the final grade. The quizzes will test student knowledge on their preparation for each lecture.

Midterm exam will consist of multiple-choice, open short-answer questions, and modeling questions. It will take place during the lecture and will comprise 35% of the final grade. The midterm will be based on topics 1-5.

Final exam will consist of multiple choice, open short-answer questions, and modeling questions. It will take place during the lecture and will comprise 45% of the final grade. The midterm will be based on topics 6-12.

Seminar discussions and presentations will address all topics covered in class. These activities will take place during the lecture and will comprise 10% of the final grade.

**RETAKE POLICY**

*(Provide short description and percentage of the final grade)*

In case of a negative final grade, students can sit for a retake exam. Such an exam will cover all course material. The weight of a retake is 80%. Seminar participation grade is not subject to retake but its evaluation (if positive) will count towards the final grade with the retake exam.

**ADDITIONAL REMARKS**

The syllabus is subject to small changes. Specific chapters from the books are TBA. All readings will be available online on the course website.

**REQUIRED READINGS**

Friedrich von Hayek (1970). *“*Collective Economic Planning”, ed. Clifton, NJ: Kelley Publishing, 1975, pp. 87-130, and Auburn, AL: Ludwig von Mises Institute, 1990

James M. Buchanan, and Viktor J. Vanberg. (1988). “The Politicization of Market Failure.” *Public Choice*, vol. 57, no. 2, 1988, pp. 101–13, <http://www.jstor.org/stable/30024887> .

George A. Akerlof. (1970). “The Market for ‘Lemons’: Quality Uncertainty and the Market Mechanism.” The Quarterly Journal of Economics, vol. 84, no. 3, pp. 488–500, <https://doi.org/10.2307/1879431> .

Robert H. Bates. (2008). State Failure. Annual Review of Political Science 11:1, 1-12.

W. R. Keech & M. C. Munger. (2015). “The anatomy of government failure”. Public Choice 164, 1–42. <https://doi.org/10.1007/s11127-015-0262-y>

Vincent Ostrom. (1975). “Public Choice Theory: A New Approach to Institutional Economics.” American Journal of Agricultural Economics, vol. 57, no. 5, pp. 844–50, <https://doi.org/10.2307/1239090> .

Randall Collins. (1986). “Weber's last theory of capitalism”. In Weberian Sociological Theory (pp. 19-44). Cambridge: Cambridge University Press. doi:10.1017/CBO9780511557682.003

Peter T. Leeson, 2011. “The Invisible Hook: The Hidden Economics of Pirates”. Germany: Princeton University Press.

Terry L. Anderson & Peter J. Hill (2004). “The not so wild, wild west : property rights on the frontier”. United Kingdom: Stanford Economics and Finance".

James M. Buchanan. (1949). “The Pure Theory of Government Finance: A Suggested Approach.” *Journal of Political Economy*, vol. 57, no. 6, pp. 496–505, <http://www.jstor.org/stable/1826554> .

Tony Aspromourgos. (2018). “Keynes, Public Debt, And The Complex Of Interest Rates”. Journal of the History of Economic Thought, 40(4), 493-512. doi:10.1017/S1053837217000578

Milton Friedman. (1968). “The Role of Monetary Policy.” The American Economic Review, vol. 58, no. 1, pp. 1–17, <http://www.jstor.org/stable/1831652> .

**ADDITIONAL READINGS**

Friedrich von Hayek, (1940). “Socialist Calculation: The Competitive `Solution’.” *Economica*, vol. 7, no. 26, pp. 125–49, [https://doi.org/10.2307/2548692. Accessed 27 Apr. 2022](https://doi.org/10.2307/2548692.%20Accessed%2027%20Apr.%202022).

Friedrich von Hayek. (1945). “The Use of Knowledge in Society.” *The American Economic Review*, vol. 35, no. 4, 1945, pp. 519–30, <http://www.jstor.org/stable/1809376> .

David Skarbek. (2011). Governance and Prison Gangs. *American Political Science Review,* *105*(4), 702-716. doi:10.1017/S0003055411000335

**ANNEX**

**DEGREE LEVEL LEARNING OBJECTIVES**

**Learning objectives for the Bachelor of Business Management**

*Programmes:*

*International Business and Communication,*

*Business Management and Marketing, Finance,*

*Industrial Technology Management*

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| **Learning Goals** | **Learning Objectives** |
| Students will be critical thinkers | BLO1.1. Students will be able to understand core concepts and methods in the business disciplines |
| BLO1.2. Students will be able to conduct a contextual analysis to identify a problem associated with their discipline, to generate managerial options and propose viable solutions  |
| Students will be socially responsible in their related discipline | BLO2.1. Students will be knowledgeable about ethics and social responsibility  |
| Students will be technology agile | BLO3.1. Students will demonstrate proficiency in common business software packages |
| BLO3.2. Students will be able to make decisions using appropriate IT tools  |
| Students will be effective communicators | BLO4.1. Students will be able to communicate reasonably in different settings according to target audience tasks and situations |
| BLO4.2. Students will be able to convey their ideas effectively through an oral presentation  |
| BLO4.3. Students will be able to convey their ideas effectively in a written paper |

**Learning objectives for the Bachelor of Social Science**

*Programmes:*

*Economics and Data Analytics,*

*Economics and Politics*

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| **Learning Goals** | **Learning Objectives** |
| Students will be critical thinkers | ELO1.1. Students will be able to understand core concepts and methods in the key economics disciplines  |
| ELO1.2. Students will be able to identify underlying assumptions and logical consistency of causal statements  |
| Students will have skills to employ economic thought for the common good | ELO2.1.Students will have a keen sense of ethical criteria for practical problem-solving  |
| Students will be technology agile | ELO3.1. Students will demonstrate proficiency in common business software packages  |
| ELO3.2. Students will be able to make decisions using appropriate IT tools  |
| Students will be effective communicators | ELO4.1.Students will be able to communicate reasonably in different settings according to target audience tasks and situations  |
| ELO4.2.Students will be able to convey their ideas effectively through an oral presentation  |
| ELO4.3. Students will be able to convey their ideas effectively in a written paper  |