

Political Science 474: Politics of Economic Policy

Winter 2021

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Course Overview

This course explores the politics of economic policy. The making and implementation of economic policy is fundamentally political. Elected leaders and bureaucrats who create and enforce laws face political constraints and incentives that guide their decisions. An optimal, perfectly designed policy to regulate some economic interaction that would either never pass or is impossible to enforce is not optimal. In practice, it fails to solve any problems. To have productive conversations and debates about the economy and economic policy which guides it, we must understand and take into consideration the role of political institutions and the constraints imposed by the political process underlying economic policy.

In this course, we will focus on several areas of the economy and how governments take actions to regulate economic behavior. Specifically, we will discuss the creation and regulation of currency, the evolution of central banking, policies on labor migration and remittances, and the formalization of the informal economy, among other related topics. Students will develop an understanding of the political incentives which underlie policymaking processes and use this background to critically assess contemporary issues related to economic decision-making. For example, what are the implications for the rise of digital currencies and the efficacy of centralized currency management? How have anti-money laundering and counterterrorism regulations affected the flow of international capital and remittances?

Required Readings

There is no textbook you need to purchase for this class — all readings are available either through the **Canvas** page for this course or online through the University of Washington library. See the schedule below for details.

You will notice there are both required and optional readings, denoted by the ● and ○, respectively. This is a reading intensive course and it is important that you come to class having read the required material for that day. In most cases, the optional readings correspond to articles I will reference in lecture, extensions of the material discussed in class, or additional references if you find it helpful to read further. If you ever feel it would be helpful to have additional texts as a reference, please let me know and I will make recommendations based on what gaps you are hoping to fill.

Assessments

Grades for the course are based on the following assignments. Note that you have the *option* to complete the “team assignments” in a small team of no more than four students, but you may complete these assignments individually.

Individual Assignments.

Weekly Quizzes (12%). There will be five online quizzes throughout the quarter that students will submit by **Sunday at 11:59pm** on the week they are due. Each quiz will cover only the material from the previous week – they are *not* cumulative. These dates are noted in the course schedule. Though the quizzes themselves are not to be collaborated on, you may use any notes from class, posted slides, and reference the readings directly. **No make-up quizzes** will be given if you miss the deadline, but the lowest of the five quiz scores will be dropped.

Midterm Exams (15% each). This class will have two “closed-book” midterms worth 15% of your final grade, collectively 30% of your final grade. Both midterms will be a combination of short answers and a single long essay. I will make the exams available on Canvas following a live “in class” review session, and you will have a week to complete the exam and submit it electronically on Canvas. While you will be given a full week to complete the exam, the expectation is that you spend no more than 2 hours writing your exam. If you miss a midterm exam, and have not made alternative arrangements prior to the midterm with me, you will not be given a make-up exam. Instead, your cumulative final exam will count for an additional 15% of your course grade.

- The first midterm exam – covering the material from Weeks 2-5 – will be available Wednesday, February 3, 2021, at 10:30am, and due by Tuesday, February 9, 2021, at 10:30am.
- The second midterm exam – covering the material from Weeks 2, 7 and 8 – will be available Friday, February 26, 2021, at 10:30am, and due by Thursday, March 4, 2021, at 10:30am.

Final Exam (30%). A cumulative “closed-book” final exam will account for 30% of your final course grade. The final is scheduled by the University for Monday, March 15, 2021, at 10:30am. The final exam will be available on Canvas on Monday, March 15, 2021, at 10:30am, and is due by Friday, March 19, 2021, at 11:59pm. As with the midterms, the expectation is that you spend no more than 2 hours writing your exam.

Team Assignments. You have an option to complete the project portion of this class in a small team of no more than 4 students. While I encourage you to work in small groups and pool expertise with your classmates, you are welcome to complete these assignments individually as well.

White Papers (18%). Each team will work together on a white paper for a specific market (or state) failure and policy solution. A white paper is a concise report that aims to “advocate that a certain position is the best way to go or that a certain solution is best for a particular problem.” Your white papers can be on a topic of your choosing and should be no longer than 10 pages – double spaced, 12 point font, 1 inch margins. Additional information about the assignment can be found [here](#). All white papers must be submitted here as PDFs by Sunday, March 7, at 11:59pm, and will be shared with the entire class. You will be given a class period (Thursday, March 4) to organize and work on the white paper and presentation.

3MT Presentation (5%). We will conclude the class with a 3 Minute Thesis Competition during our last two meetings of the quarter. Each team will select one member to give a three minute presentation to the class on the topic of their white paper, followed by 5 minutes of Q&A handled by the entire team. Additional information about the assignment and competition can be found [here](#).

Discussion Session Contributions (5%). Each time we meet for a Zoom discussion, a group of students is assigned to be discussion leaders. This can mean starting us off with a question of your own, providing your thoughts on one of the assigned questions, or expanding on something from the assigned readings. Throughout the quarter you will be assigned two days to serve as discussion leader, worth 2.5% each.

Learning Objectives

By the end of the course, students will demonstrate the ability to apply canonical political economy theories of policymaking to contemporary market and state failures. Much attention throughout the course will be focused on real-world applications and making this leap from textbook examples to more complicated contemporary applications requires students form a deep understanding of how states shape market behavior, and vice versa. In addition, students will be expected to demonstrate the ability to think critically about political constraints facing policymakers and the consequences of such constraints (or lack thereof) for policy outcomes and economic performance.

Grade Dispute Procedure

I appreciate the pressure students are under with respect to their grades and take seriously the responsibility of assigning grades fairly. All exams and papers will be graded blindly (i.e., with no identifying information beyond a student ID number) and according to detailed rubrics. For assignments, rubrics are made available in advance on the course's Canvas page; for quizzes and exams, I do my best to indicate point allocations within questions. Grades will be posted (or automatically generated) on the course's Canvas page.

If you ever have a concern that an assignment or exam is graded unfairly, I encourage you to bring it to my attention according to the following procedure to again ensure the process remains as fair and equitable as possible. If after reviewing a graded assignment you feel you were incorrectly or unfairly graded, I ask that within 10-days of when the assignment is returned you return to the professor (not TA) the assignment or exam with a typed explanation of where you believe the assignment or exam was improperly graded. I will not accept grade disputes for assignments or exams brought to me after this 10-day period. Upon receiving your assignment or exam and grade dispute, I will re-grade the entire assignment or exam. Once I have re-graded the assignment or exam, I will adjust your grade accordingly if necessary and find a time as soon as possible for us to meet and discuss the final grade.

Academic Dishonesty

Students at UW are governed by the **Student Conduct Code**, and academic dishonesty will not be tolerated. If I suspect that a student is in violation of the Student Conduct Code, I will refer the case to proper administrative authorities to determine further penalties. If a violation of the academic integrity policy is found to have occurred, the minimum penalty will be a zero (0) on the assignment/exam in question. If you have any questions about plagiarism and proper citation methods, please consult **Writing Center Tutorial on Plagiarism** or come speak to me.

Students with Challenges

I want students to learn as much as possible and do well in this course. If you have already established accommodations with Disability Resources for Students (DRS), please communicate your approved accommodations to me within the first three weeks of class so we can discuss your needs in this course. If you have not yet established services through DRS, but have a temporary health condition or permanent disability that requires accommodations, you are welcome to contact DRS at 206-543-8924 or uwdrs@uw.edu.

Religious Accommodations

Washington state law requires that UW develop a policy for accommodation of student absences or significant hardship due to reasons of faith or conscience, or for organized religious activities. The UW's policy, including more information about how to request an accommodation, is available at [Faculty Syllabus Guidelines and Resources](#). Accommodations must be requested within the first two weeks of this course using the Religious Accommodations Request form available [here](#).

Winter 2021 Course Outline

- ★ PE required reading ● Application required reading
- optional reading ⊙ due date

Week 1: Course Introduction

Tuesday, January 5, 2021.

Zoom @ 10:30 PST

- ★ No assigned readings – general introduction to course material and logistics

Thursday, January 7, 2021.

Zoom @ 10:30 PST

⊙ [Read the Syllabus and e-mail me or raise any questions you have in class!](#)

- Bensinger, Greg. 2015. "The Web's Most Maniacal Bargain Hunters." *Wall Street Journal*, Apr 9.
- The Economist. 2017. "How American cities keep food trucks off their streets." May 22.
- The Economist. 2018. "Policing the wild frontier: Regulating virtual currencies and ICOs." Apr 26.
- The Economist. 2017. "Take Back Control: How digital devices challenge the nature of ownership." Sept 30.

Week 2: Politics of Economic Policy

Tuesday, January 12, 2021.

Zoom Discussion @ 11:30 PST

- ★ Coyle, Diane. 2020. "The State and the Market." In *Markets, State, and People: Economics for Public Policy*. Princeton: Princeton University Press, 1-42.
- Brown, Eliot. 2020. "The Ride-Hail Utopia That Got Stuck in Traffic." *Wall Street Journal*, Feb 15.
- Mai-Duc, Christine. 2020. "Lyft and Uber Start Spending to Unseat California Legislators." *Wall Street Journal*, March 2.
- Acemoglu, Daron and James A. Robinson. 2013. "Economics versus Politics: Pitfalls of Policy Advice." *Journal of Economic Perspectives* 27: 173-192.

Thursday, January 14, 2021.

Zoom Discussion @ 11:30 PST

- ★ Tirole, Jean. 2017. "Toward a Modern State." In *Economics for the Common Good* Princeton: Princeton University Press, 155-169.
- ★ Bueno de Mesquita, Ethan. 2016. "Constraints on Good Governance." In *Political Economy for Public Policy*. Princeton: Princeton University Press, pp. 193-196.
- Nicas, Jack. 2020. "He Has 17,700 Bottles of Hand Sanitizer and Nowhere to Sell Them." *New York Times*, March 14.
- The Economist. 2020. "Price Gouging: A Cautionary Tale." Oct 22.

Sunday, January 17, 2021.

⊙ [Submit Quiz #1 to Canvas by 11:59pm](#)

Week 3: Politics of Money Creation and Regulation

Tuesday, January 19, 2021.

Zoom Discussion @ 11:30 PST

- ★ Rogoff, Kenneth S. 2016. "The Early Development of Coins and Paper Currency." In *The Curse of Cash*. Princeton: Princeton University Press, 15-30.
- Chakravorti, Bhaskar. 2016. "India's Botched War on Cash." *Harvard Business Review*, December 14.
- Chakravorti, Bhaskar. 2017. "One Year After India Killed Off Cash, Here's What Other Countries Should Learn From It." *Harvard Business Review*, November 2.
- The Economist. 2016. "Venezuela's lunatic experiment in demonetisation." December 15.
- The Economist. 2019. "Kenya's demonetisation was unexpectedly orderly." October 10.
- Moss, David A. 2014. "Money." In *A Concise Guide to Macroeconomics*. Cambridge: Harvard Business Review Press, 33-38.

Thursday, January 21, 2021.

Zoom Discussion @ 11:30 PST

- ★ Suri, Tavneet. 2017. "Mobile Money." *Annual Review of Economics* 9: 497-520.
- ★ Rogoff, Kenneth S. 2016. "Digital Currencies and Gold." In *The Curse of Cash*. Princeton: Princeton University Press, 208-216.
- Osafo-Kwaako, Philip, Marc Singer, Olivia White, and Yassir Zouaoui. 2018. "Mobile Money in emerging markets: The business case for financial inclusion." *McKinsey & Company: Global Banking Practice*.
- Fatas, Antonio and Beatrice Weder di Mauro. 2018. "As Cryptocurrencies Rise, Who Needs Banks?" *Harvard Business Review*, May: 2-4.
- Pisini, Eric and Simon J. Lapscher Rosenberg. 2015. "State-Sponsored Cryptocurrency: Adapting the best of Bitcoin's Innovation to the Payments Ecosystem." *Deloitte Development*.

Sunday, January 24, 2021.

🕒 Submit Quiz #2 to Canvas by 11:59pm

Week 4: Politics of Central Banking and Foreign Exchange Policy

Tuesday, January 26, 2021.

Zoom Discussion @ 11:30 PST

- ★ Adolph, Christopher. 2018. "The Missing Politics of Central Banks." *PS: Political Science and Politics* 51: 737-742.
- ★ Fernández-Albertos, José. 2015. "The Politics of Central Bank Independence." *Annual Review of Political Science* 18: 217-237.
- The Economist. 2016. "Rethinking central bank independence." Nov. 17, 2016.
- The Economist. 2019. "The independence of central banks is under threat from politics." Apr. 13, 2019.

Thursday, January 28, 2021.

Zoom Discussion @ 11:30 PST

- ★ Frieden, Jeffrey. 1997. "The Politics of Exchange Rates." In *Anatomy of an Emerging Market Crash*. Ed. Sebastian Edwards Moises Naim. Carnegie Endowment for International Peace, 81-94.
- Guisinger, Alexandra and David Andrew Singer. 2010. "Exchange Rate Proclamations and Inflation Fighting Credibility." *International Organization* 64: 313-337.
- Ocampo, Jose Antonio. 2012. "The Case for Regulating Cross-Border Capital Flows." In *In the Wake of the Crisis: Leading Economists Reassess Economic Policy*. Cambridge, MIT Press.

- The Economist. 2019. "The Trump administration labels China a currency manipulator." August 6.
- The Economist. 2020. "The Dollar is in high demand, prone to dangerous appreciation." March 21.
- The Economist. 2015. "How capital controls work." June 29, 2015.

Sunday, January 31, 2021.

☉ **Submit Quiz #3 to Canvas by 11:59pm**

Week 5: Review and Midterm

Tuesday, February 2, 2021.

Zoom Review @ 10:30 PST

- Finish any remaining material from Weeks 1-4 and Review for Midterm Exam

Wednesday, February 3, 2021.

▷ Midterm Exam posted at 10:30am PST

Thursday, February 4, 2021.

No Class Meeting

▷ No class meeting – take your midterm exam and submit it by Tuesday, February 9, 2021, at 10:30am.

Section II: Regulating Production and Exchange

Week 6: Production, Labor and Growth

Tuesday, February 9, 2021.

Zoom Discussion @ 11:30 PST

- ★ Coyle, Diane. 2014. "The Nature of GDP." In *GDP: A Brief but Affectionate History*. Princeton: Princeton University Press, 24-32.
- ★ Moss, David A. 2014. "Output." In *A Concise Guide to Macroeconomics*. Cambridge: Harvard Business Review Press, 7-32.
- Brynjolfsson, Erik and Avinash Collis. 2019. "How Should We Measure the Digital Economy?" Harvard Business Review, Nov-Dec 2019.
- Kapoor, Amit and Bibek Debroy. 2019. "GDP Is Not a Measure of Human Well-Being." Harvard Business Review, October 4.
- Coyle, Diane. 2020. "The Government's Role in Production." In *Markets, State, and People: Economics for Public Policy*. Princeton: Princeton University Press, 98-136.

Thursday, February 11, 2021.

Zoom Discussion @ 11:30 PST

- ★ Leeson, Peter T. and Zachary Gochenour. 2015. "The Economic Effects of International Labor Mobility." In *The Economics of Immigration: Market-Based Approaches, Social Science, and Public Policy*, ed. Benjamin Powell. New York: Oxford University Press, 11-25.
- The Economist. 2019. "Middle America's Brain Drain." May 8, 2019.
- Kolko, Jed. 2018. "5 Questions We Should Be Asking About Automation and Jobs." Harvard Business Review, December 19, 2018.
- Bessen, James and James Kossuth. 2019. "Automation Affects High-Skill Workers More Often, but Low-Skill Workers More Deeply." Harvard Business Review, February 13, 2019.
- Wadhwa, Vivek. 2013. "Debunking Myths About Highly Skilled Immigration and the Global Race for Talent." Harvard Business Review, June 24, 2013.

Sunday, February 14, 2021.

☉ **Submit Quiz #4 to Canvas by 11:59pm**

Week 7: Trade and Exchange

Tuesday February 16, 2021.

Zoom Discussion @ 11:30 PST

- ★ Milner, Helen. 1999. "The Political Economy of International Trade." *Annual Review of Political Science* 2: 91-114.
- Farrell, Henry and Abraham L. Newman. 2020. "Will Governments Restrict Foreign Access to Pandemic Supplies?" *Harvard Business Review*, March 23.
- Langley, Andrew, Ott Ummelas, and Christopher Jasper. 2020. "Europe Can't Stop Pandemic From Rocking Its Foundations." Bloomberg, March 18, 2020.
- Leonard, Jenny. 2020. "Trump Sticks to His China Tariff Guns, Ignoring Pleas for Relief." Bloomberg News, March 19, 2020.
- Swanson, Ana. 2020. "A Biden Win Could Renew a Democratic Split on Trade." *New York Times*, Oct 28.

Thursday, February 18, 2021.

Zoom Discussion @ 11:30 PST

- ★ Einav, Liran, Chiara Farronato, and Jonathan Levin. 2016. "Peer-to-Peer Markets." *Annual Review of Economics* 8: 615-35.
- The Economist. 2013. "Local Food Regulation: Is lemonade legal?" July 9.
- Elks, Sonia. 2019. "Virtual goldmine: In-game goods fuel debate over digital ownership." Reuters, Nov 25.
- The Economist. 2015. "Peer-to-Peer Lending: From the people, for the people." May 7.

Sunday, February 21, 2021.

⦿ **Submit Quiz #5 to Canvas by 11:59pm**

Week 8: Regulatory Policy and Capture

Tuesday, February 23, 2021.

Zoom Discussion @ 11:30 PST

- ★ Coyle, Diane. 2020. "Government Failure." In *Markets, State, and People: Economics for Public Policy*. Princeton: Princeton University Press, 256-296.
- The Economist. 2019. "Regulatory capture may be responsible for Boeing's recent problems." March 23.
- The Economist. 2019. "Brazil's worst ever dam disaster follows years of regulatory capture." Feb 2.
- Whitehouse, Sheldon. 2010. "Sheldon Discusses Regulatory Capture in Response to the Gulf Oil Spill and the Financial Meltdown." July 13.
- Neill, Katharine A. and John C. Morris. 2012. "A Tangled Web of Principals and Agents: Examining the Deepwater Horizon Oil Spill through a Principal-Agent Lens." *Politics and Policy* 40: 629-656.
- Igan, Deniz O. and Thomas Lambert. 2019. "Bank Lobbying: Regulatory Capture and Beyond." *IMF Working Paper Series*, No 19/171.
- Carrigan, Christopher and Cary Coglianese. 2011. "The Politics of Regulation: From New Institutionalism to New Governance." *Annual Review of Political Science* 14: 107-129.
- The Economist. 2018. "Financial Foul Play: Rich clubs are bullying football's administrators into submission." Nov 30.

Thursday, February 25, 2021.

Zoom Discussion @ 11:30 PST

- Finish any remaining material from Weeks 6-8 and Review for Midterm Exam

Friday, February 26, 2021.

- ▷ Midterm Exam posted at 10:30am PST

Week 9: Midterm Exam and White Paper Work Session

Tuesday, March 2, 2021.

No Class Meeting

- ▷ No class meeting – take your midterm exam and submit it by Thursday, March 4, 2021, at 10:30am.

Thursday, March 4, 2021.

Zoom Meeting @ 10:30 PST

- Group/Individual work session for white papers and 3MT presentations.

Sunday, March 7, 2021.

- ⊙ White Papers due on Canvas at 11:59pm

Week 10: Discussion of Contemporary Economic Policy Issues and 3MT Competition

Tuesday, March 9, 2021.

Zoom Meeting @ 10:30 PST

- ⊙ 3MT Part I – Read white papers for today's presenters in advance!

Thursday, March 11, 2021.

Zoom Meeting @ 10:30 PST

- ⊙ 3MT Part II – Read white papers for today's presenters in advance!