Georgetown University

LSHV 413-40 R. M. Duke and E. M. Duke Summer 2017

The Economic System and Interest Group Politics

In the second decade of the 21st century we are facing an emerging new world order as the impact of the 2008 meltdown and its associated problems across the globe continue to reverberate. Market system failures and governmental efforts to resolve economic challenges have brought forth social and political disequilibrium across the developed and developing world. In the United States the political system has been roiled by shifting attitudes and alliances reflecting underlying social discontents and cultural dissonance. Interests within the system have used the constitutional right to petition their government to express their views about political intervention into the economic allocation of values, either recommending aid from the democratic political process or opposing aid as antithetical to basic capitalistic values inherent in our mixed system of democratic politics and capitalist economics. Within this contemporary context, this course provides an inter-disciplinary approach to the expression of values in the market place and in public policy.

An advantage of the market system is its emphasis on efficiency in the allocation of scarce resources. However, it is the nature of man to value more than efficiency. In some cases, laws, regulations and governmental programs have been created to modify the market system and its impact. These modifications are rife with controversy. We will examine these complex interactions to understand the characteristics of the market system and the politics of interest group activities. There are instances—restrictions on child labor, for example—where there is widespread support for political interference with the market system, even though it is commonly understood that costs are increased as a result. Individuals with shared interests form groups to influence public policy, while others organize to block their designs. The resulting system is complex, producing neither pure capitalism nor pure representative democracy. Some have argued that the very existence of interest group factions makes inevitable delay, stalemate, paralysis and corruption. Others see factions as the utmost expression of a free society.

This course will address the contemporary scene in terms of issues of continuity and change within both the market and political systems. It will use a variety of techniques in order to explore value implications of market economics, the interest group system it spawns and the political arena in which they operate. It will look at conflicts inherent between capitalism and democracy, will consider the means and ends of interest articulation in pluralist America through course materials drawn from political and economic theory, case studies and interest group profiles and techniques. Even after the course is underway, readings in this syllabus will be updated as important new material becomes available. Portrayals of complex

interactions within the economic and interest group systems will be illustrated by examples from literature, film and the arts to emphasize the value issues inherent in real-life case studies. This course will use lecture, discussion, case studies, films and required student papers and presentations.

Course context and goals:

This course fits within Georgetown University's Graduate Liberal Studies Program that has as its unique focus the study of human values using an interdisciplinary perspective. This course will focus on the values expressed in the interactions between the U.S. capitalist economic system and its democratic political system and will address these issues using a broad interdisciplinary approach. Upon completion of this course the student will understand:

> The allocation of values through the market system and controversies surrounding the best ways to address market failures.
>
> The interaction of the U.S. capitalistic economic system with the democratic, pluralist political system and issues of efficiency, effectiveness, equity, transparency and accountability of those systems. Some comparisons to other systems will highlight these value clashes.
>
> The multiplication of interest groups and their extensive influence on the output of the economic and political systems, with special consideration of their ability to enhance or retard government's potential to engage in useful problem solving and contribute to the wellbeing of the nation.

This syllabus will be adjusted to reflect an appropriate workload relative to the actual student course enrollment. It also will be adjusted for policy changes between origination of this syllabus and the actual conduct of the class.

Course requirements:
This course will meet on Mondays from 6:00 to 9:45 pm, and on two extended Saturday sessions. Lunch will be provided on those days. A final seminar session will afford students the opportunity to present their studies and have extended discussion over dinner.

Regular reading assignments for everyone in the course will be required. In addition, students will have the opportunity for individual and/or team written assignments in keeping with the Liberal Studies Program emphasis on developing written and oral presentation skills.

As a foundational course in the MALS program, the course will emphasize sound analysis and argument, clear writing, and sharp oral presentation. Students will have the opportunity to work individually and/or in teams. There are two types of

small written assignments and a final paper addressing some of the major arguments arising from the recent worldwide economic crisis. Specifically:

1) Choice assignments: Over the semester, the syllabus offers the student a **choice** of individual topical assignments for presentation to the class. When the student elects to cover a choice assignment, he/she will read the assigned materials and write an abstract (two pages single spaced) of the argument(s) of the reading(s), provide an oral report to the class and lead a discussion of the reading relative to the topics of the session.

2) Each session requires everyone in the course to read a "case" for discussion in class. One student or a team will take the lead for the in-class discussion of the case. In preparation for that leadership role, the leader will read a few additional sources listed on the agenda and write an analysis of the case and an argument to respond to the question(s) proposed in the agenda for the day (Maximum three pages, single spaced). This argument will be the "take-off" point for the class discussion of the case.

3) Each student will write a final 15 page paper (double spaced) with proper foot/end notes and bibliography, with oral presentation and discussion at a seminar session on the last night of class. This assignment will require the student to analyze and contrast the arguments of the required text by Alan Blinder with that of another major meltdown scholar/participant and develop his/her own argument on several key elements involved. A list of major, recent books by scholar/participants will be provided, allowing each student to choose one which is most relevant to his/her interests. Once a book is chosen from the list by a student, it will be his/hers exclusively, to allow a rich variety of arguments for seminar discussions. This will be further discussed with guidelines/handouts, on the first night of class. Each student will hand in a two page, single spaced "**preview**" of this paper at the 4th class and the final paper will be the focus of the last class seminar session.

Summary of written products over the semester:
One choice report (maximum two pages single spaced)
One case analysis (maximum three pages single spaced)
One final paper preview (maximum two pages single spaced)
One final paper (maximum 15 pages double spaced)

Grading:
Class work, including two small papers and oral presentations/discussion=50%.
Preview, final paper and oral presentation/discussion =50%.

Required texts are:

Charles Wheelan, *Naked Economics,* W.W. Norton, paperback, 2010
Allan Cigler and Burdett Loomis, *Interest Group Politics,* 9th ed., Congressional Quarterly, paperback, 2016
Alan Blinder, *After The Music Stopped*, Penguin, Paperback, 2013
Harvard case course packet. The course packet access number for Harvard Business Publishing (HBP) will by provided prior to the first class.

Course procedures:

The class is both practical and theoretical. Reading assignments for the day will be used in class that day and in later sessions. Please bring all texts with you to class.

Attendance and other policies:

Given the intense nature of the summer session and the process for accomplishing the goals of the course through a team effort, it is assumed that all students will be present at all classes. Recognition of a rare absence for religious observations or illness/emergencies will be honored. On-time arrival will be expected and significant lateness, as per Liberal Studies Program policy, will be regarded as a cut. **Should you be late for class or have to miss a class for an emergency, it is your responsibility to make arrangements with other classmates to get the missed announcements and materials.**

Laptop use is permitted in class, but use of the laptop for matters not involved in this course will result in the session being counted as a cut.
Cell phones should be turned off during class.

Academic Integrity:
Students are responsible for upholding the Georgetown University Honor System and adhering to the academic standards included in the Honor Code Pledge:

> *In the pursuit of the high ideals and rigorous standards of academic life, I commit myself to respect and uphold the Georgetown University Honor System: To be honest in any academic endeavor; and to conduct myself honorably, as a responsible member of the Georgetown community, as we live and work together.*
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> Please note that we will randomly check papers electronically. If we suspect plagiarism, we will check those papers specifically. Also, please note that the stringing together of direct quotes or highly paraphrased sections of another person's words, does not constitute personal authorship of a graduate-level written product and, even if properly cited and included in a bibliography, it is unacceptable and will negatively impact the grade.

Disability Policy:

If you believe you have a disability, you should contact the Academic Resource Center (arc@georgetown.edu) for further information. The Center is located in the Leavey Center, Suite 335. The Academic Resource Center is the campus office responsible for reviewing documentation provided by students with disabilities and for determining reasonable accommodations in accordance with the Americans with Disabilities Act (ADA) and University policy.

Schedule: **This syllabus will be revised in light of the actual number of students in the course to insure an even distribution of a fair workload. It also will be adjusted for policy changes between the origination of this syllabus and the conduct of the actual class.**

Class 1 **6:00 to 9:45 pm**
May 22 Introduction and Overview
Monday This session will introduce the course through readings, lecture, film, games and discussion. The basic tension between the values undergirding the capitalist market system and the democratic, pluralist political system will be highlighted. In addition to an overview of the syllabus, guidance on projects and papers will be provided.

All read, prior to class:
Cigler, Introduction (read prior to class)
Blinder, ch. 1 (read prior to class)
Wheelan, ch. 1 (read prior to class)
Values and the Market System (Short handout in class)

May 29th OFF Memorial Day holiday

NEXT CLASS IS SATURDAY, June 3rd

Class 2 **9:00 am to 3:30 pm** (Lunch will be provided.)
June 3 The Market, Public Goods, Public Policy and the Permanent Campaign
Saturday Case studies: Defense as a public good; The economics/politics of oil

All read:
Cigler, ch. 15 (Negative lobbying)
Wheelan, ch. 3
Blinder, chs. 2,3,4
Eisenhower's Farewell Address

Question: In pursuit of the national interest, how can government and the market system both be maximally beneficial?
Choice:
1. Lott and Daschle, Crisis Point, ch. 3 AND Cigler, ch. 7 (Dark Money)

2. Clifford Winston, Government Failure v Market Failures, pp. 73-91 AND Michael Sandel, What Money Can't Buy: The Moral Limits of Markets, pp. 3-15.

Question: Was Eisenhower right?
Case #1--All read:
The Boeing Tanker Lease Deal: B (not A) (HBP—HKS340—CR16-06-1846.0)

Case leader **only** read:
Military-Industrial Complex: James Ledbetter, Unwarranted Influence (read selectively as needed and appropriate) AND Cigler, ch. 14 (corporate lobbyists)

Question: Do the politics and economics of oil match up?
Case #2—All read:
"Transcanada's Keystone XL Pipeline: Unfinished Business, HBP #W16009 AND Sequel, HBP 9-716-070 AND "Trump Revives Keystone…New York Times 1/14/2017 AND Julie Watson "Military Shift away from Oil…" AP, 1/14/2017

Case leader **only** read:
Cigler, ch. 6 (Tea Party)
Jad Mouawad, "Oil prices slide…" New York Times 1/11/2016 AND "Oil Prices…volatile: IEA," New York Times 1/15/2017

Class 3 **6:00 to 9:45 pm**
June 5 The Public-Private Continuum of Services and Funding: State and
Monday Third Party Partners

This session will consider the continuum from the purely private market to the purely public, direct, multilevel government delivery of services and the intermediate linkages along that continuum, including the New Governance of public/private partnerships. The electoral process, the intergovernmental system, and the politics of housing will be addressed, along with the changing pluralism of the social and political system and the challenges of indirect, third party governance.

All reading:
Wheelan, chs. 4 and 148-160
Cigler and Loomis, ch. 17 (inequality) AND "Stark Inequality: Oxfam Inequality Report," New York Times, 1/15/2017
Blinder chs. 5,6

Question: Does governance complexity help or hinder transparency and accountability to the governed?
Choice:
3. Cigler, ch. 16 (governments lobbying governments) AND
Kevin Kosar, Quasi-Government, 6/22/11 Congressional Research Service

Question: Can we/should we provide affordable housing for all?
Case #3—All read: Via Verde, HBP 9-214-105 (November 2015), pp 1-9 AND
Anastasia Kalugina. "Affordable Housing Policies; An Overview, Cornell Real Estate Review, 2016.

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Case leader **only** read:
Matthew Desmond, Evicted, Epilog
Tom Angotti and Sylvia Morse, "Keeping the Public in Public Housing," Hunter College Center for Community Planning & Development, 1/2014
Alan Greenblattt, "Real Power," Governing Magazine, June 2006 AND
"Top Lobbyist Spending," AEI blog

Class 4 **6:00 to 9:45 pm (Two page preview of final paper due)**
June 12 Rules of the Road: Regulation-Deregulation and Anti-Trust
Monday within the context of 21st century world-wide change

This session will look at systemic corrections to meet the challenges presented by the transformative events of the 20th century and the linked changes in Europe and the U.S., including criticisms of current realities. It will address the history and current practice of antitrust and regulation/deregulation to insure a competitive market system. The proliferation of interest groups, the revolving door of American politics and charges of corruption will be framed in this broader context.

All Read: Brief handouts: antitrust; regulation
Blinder, chs. 7,8,9 and 16

Question: Can the door of public service revolve ethically, i.e., can we attract quality skills to public service without the reality or the appearance of corruption? What is corruption? Remedies?
4. Choice: La Pira and Thomas, 'Revolving Door Lobbyists and Interest Representation," Interest Groups & Advocacy, Vol 3, #1, pp. 4-8 AND Zephyr Teachout, Corruption in America, pp. 1-8, AND Nicholas Allard, "Lobbying is an Honorable Profession," Stanford Law and Policy Review," Vol. 19, 2008, pp. 42-52.

Can 20th century antitrust or regulatory tools meet the challenges of 21st century technology/innovation (Europe/US)?
Case #4--All Read:
Anti-Trust case: US v. American Tobacco, 1911 (selections) AND
Regulation: RJ Reynolds Tobacco Co, et al v. US FDA 1/15/2016 No. 14-5225 US Court of Appeals for DC.

Case leader **only** reads:
Richard Thaler, Misbehaving, ch. 1
Optional: George Akerlof, Robert Shiller, Plishing for Phools: The Economics of Manipulation and Deception, ch. 8
Phillip Swagel, "A Nudge Too Far," Review of Misbehaving, Foreign Affairs, Nov-Dec 2015, pp. 142-147
Cigler, ch. 11
Wheelan, pp. 175-191

Class 5 **6:00 to 9:45 pm**
June 19 Social Policy and Income Redistribution
Monday

This session will address the concepts of social insurance and income redistribution. Specifically, the arguments of supporters and opponents of Unemployment Insurance, Social Security and Medicare programs will be addressed, including attention to the long-term solvency concerns about the programs. Options for health care insurance, including alternatives to the Affordable Care Act and Medicaid will be included. Issues of deficit spending and long term debt will be considered.

All Reading:
Wheelan, pp. 30-43
Cigler, ch. 3 (agendas)
Blinder, chs. 10, 11, 12

Question: Can we balance individual responsibility and a strong social contract in the face of funding challenges?
5. Choice:
Campbell and Morgan, Financing the Welfare State, Studies in American Political Development 2005, 173-180; 190-193; AND Martin Feldstein, Rethinking Social Insurance," American Economic Review, March 2005, pp. 1-6 AND Robert Gordon, Rise and Fall of American Productivity, pp. 234-237 and 487-497

Can the politics of entitlements meet the economic challenges of entitlements?
Case #5—all read:
"Reforming Social Security Around the World," KEL 493

Case leader **only** read:
Martin Gilens and Benjamin Page, "Testing Theories of American Politics: Elites, Interest groups and Average Citizens, Perspectives on Politics, September 2014, pp. 564-577

Class 6 **9:00 am to 3:30 pm** (lunch will be provided.)
June 24 Fiscal and Monetary Policy
Saturday focus: financial reform; the strong presidency

This session will serve as a link to the final seminar session on July 8th by providing a conceptual, methodological, and practical overview of the meltdown of 2008 and the Dodd-Frank legislation that followed, giving focused attention to the Consumer Financial Protection Bureau. It will address the debt challenge and some of the proposed remedies. This session will consider theories of executive leadership and examples of presidential expansion of power.

All reading:
Wheelan, pp. 218-231; 237-242
Blinder, chs. 13, 14, and Afterward (brief ch. 18 in paperback)

Questions: In the complex world of the 21st century is the 18th century Constitution still the "rules of the game?" Should it be? Can we produce the public interest in the face of "silos" of agencies, governmental stalemate, and networked governance?
6. Choice: Keith Whittington, "Much Ado About Nothing," William and Mary Law Review, 2016, pp. 1-17 AND Andrew Rudalevige, "Old Laws, New Meanings," Syracuse Law Review," 2016, pp. 10-27; 36-39.

Question: How good are the tools? How well are they used?
7. Choice: Charles Wheelan, Naked Statistics, ch. 6 AND Nate Silver, The Signal and the Noise: why so many predictions fail, ch. 1 AND Akerlof/Shiller, Plishing for Phools, ch. 2

Question: Can we balance fiscal and monetary policy?
8. C. Wheelan, Naked Money, chs 5,14 (monetary policy) AND Alan S. Blinder, "Keynesian Economics" (abridged), Concise Encyclopedia of Economics, 2nd ed., AND Richard Thaler, Misbehaving, pp. 347-351. (fiscal policy)

Question: Can we achieve a dynamic balance between Wall Street and Main Street?
Case# 6--All read: "Lessons Learned? Brooksley Born & the OTC Derivatives Market (A&B) HBP 9-311-044 and 9-311-070
Case Leader **only** read:
Lobbying the Dodd-Frank Financial Reforms, HBP 9-311-094 AND Martin Baily, "Impact of Dodd-Frank" Brookings, 2016, 20-21, 29-30, 43 AND Michael Barr, "Financial Reform, 2017, pp. 4-9 and 13-15.

Class 7 **6:00 to 9:45 pm**
June 26 Free Trade and Protection: The Economics of Foreign Policy
Monday Case study: Steel

This session will set the issues of the American economy within a global context, with special emphasis on trade issues. It will address the reality that the conceptual division between domestic and foreign policy was never a true reflection of reality and today that duality is totally misleading.

All Reading:
Wheelan, ch. 12
Cigler and Loomis, ch,12 (foreign policy groups)
Blinder, chs. 15, 17

Question: In pursuit of the national interest through foreign policy and trade should we choose free trade or protection?
Choice:
9. M. Angelles Villarreal and Ian F. Fergusson, "The North American Free Trade Agreement," The Congressional Research Service, April 16, 2015 AND Trump Administration proposals, TBA

10. Dean Baker, *Issues in Trade and Protectionism,* Center for Economic and Policy Research AND Julio Rotemberg, "The Trans-Pacific Partnership and the Management of Globalization," HBP, #9-716-064, pp. 1-9 and 13-14 (skim, 9-13)

Question: When one industry seeks protection in a multi-stakeholder system what are the economic and political trade-offs and consequences?
Case #7--All read: Standing Up For Steel, pp. 1-7 and 21-31, HBP-HKS075 (C15-02-1651.0) AND
New York Times, 2/15/2016, "European Steel Workers Protest Cheap Chinese Steel and Washington Post, 1/26/2017, US Steel Requirement of Pipelines and Business Insider 1/25/2017.

Case leader **only** read:
Bruce Blonign, et. al., "Are All Trade Protection Policies Created Equally?" Journal of International Economics, Vol. 89 (2013), sections 2 and 5 (total three pages)

Christina Davis, et. al., "Cooperation in Hard Times: Self-Restraint of Trade Protection," Journal of Conflict Resolution, 2015, pp 398-401, 405-409, 422-423

Class 8 **3:00 pm to 9:45 pm** (Dinner will be provided.)

July 8 Saturday Seminar: Student reports and discussion

This session will be conducted in small group seminar style at the professors' home. It will address the cross-cutting issues involved in and flowing from the meltdown of 2008 and various analyzes of its cause, consequences and possible long-term cures. Final papers, including proper footnotes and bibliography, will be the focus of the session and will be handed in at the end of the evening seminar.