

Course Overview

Is Economics Disenchanting Politics?

the Scope and Limits of the Economic Analysis of Public Policy

Professor: Clément Carbonnier and Yann Giraud

Session: Summer

Language of instruction: English

Number of hours of class: 36

Objective of the Course

This course will present the role of economists in political decision making. It will first describe the theoretical developments that aim at understanding economic consequences of policies. Then it will focus on the empirical tools to assess the impact of economic policies. Last it will present the institutions built by economists to actually influence economic decisions.

Summary

The first part of the course will present the theoretical tools used by economists to analyze the public intervention in economic activities. From general framework mainly defending *laissez-faire* on the markets, some particular models have been developed to recommend specific economic policies. It then defines a standard framework for government action: macroeconomic stabilization, income redistribution, and correction of market failures. The rise of data analysis at the turn of the XXIst century allows economists to directly assess public policies several years after their introduction. It is used to propose *ex post* evaluations to decision makers, but also to challenge economic theory by testing the models' predictions through *natural experiments*. The increasing number of evaluations in different countries at different periods builds a collection of empirical knowledge.

The second part of the course will depict the economists' increasing influence on public policies historically and sociologically. In the early decades of the 20th century, economists were seldom approached by governments. That role changed drastically with the Great Depression and WWII. Keynesian macroeconomic management, the need for some sort of economic planning and escalating competition between East and West required a new kind of economic experts. Economists were hired as advisors, as statisticians, model builders and policy analysts. The demise of the Welfare State did not slow down the economists' involvement in policies. On the contrary, public policy evaluation became one central feature of neoliberal governmentality. How did economists become an identifiable body of experts? How did they gain credit? Did they actively participate in the dismantling of the Welfare state? Are there still disagreements among economists? Why did the Chicago School of Economics become the most representative group of economists in the public's eye? We will answer these questions by looking at the general postwar context and by referring to specific national examples (US, France and Germany notably).

Organization of the Course

Part 1 – Introduction – How economics became a public policy science (Y. Giraud)

Session 1 - Economics and politics in the 20th century: a historical overview

Session 2 – The Rise of Neoliberalism

Part 2 – Analyzing market failures, understanding and evaluating public intervention (C. Carbonnier)

Session 3 - From the invisible hand to the welfare theorems

Session 4 - Market failure and market solutions I: externalities and public goods

Session 5 - Market failure and market solutions II: moral hazard

Session 6 - Market failure and market solutions III: selection

Session 7 - Growing empirics: structural econometrics, controlled experiment and natural experiment

Session 8 - Practical evaluation and the five stages of grief

Part 3 – Public Economics in Social and Historical Context: why do economists disagree on public policies?

Session 9 - MIT, Cowles and the engineer's view of public intervention

Session 10 - Chicago economics and its growing influence on economic policies

Session 11 - Controversies and dissents regarding role of the State in economics

Session 12 - Economic influence on policy outside of governments

Requirements for course validation

Students are expected to actively participate in the sessions, having read the papers or book chapters required for each one of them in advance. Participation will count for 10% of the final grade.

At the end of the 8th session, there will be a mid-term exam, which will specifically evaluate Part 2 of the class. This will consist of a set of short questions, which the students will answer in one or two short paragraphs for each one. This mid-term exam will count for 40% of the final grade.

The final exam will last three hours and deal with all the content of the class. Yet, it will address more specifically session 1-2 and 9-12. Students will choose between two questions, which they will answer in a 4- to-6-page essay. This will count for 50% of the final grade.

Bibliography

Mandatory Readings

Bernstein, Michael (2004). *A Perilous Progress: Economists and Public Purpose in Twentieth-Century America*, Princeton University Press.

Mirowski, Philip (2014). "The Political Movement that Dared not Speak its own Name: The Neoliberal Thought Collective Under Erasure", working paper.

Morgan, Mary (2003). "Economics." In Porter, Theodore M. and Ross, Dorothy (eds.), *The Cambridge History of Science Volume 7: The Modern Social Sciences*. Cambridge: Cambridge University Press, pp. 275-305.

Suggested Readings

Ross Emmett, ed. (2010). *The Elgar Companion to the Chicago School of Economics*. Edward Elgar.

Fourcade, Marion (2009). *Economists and Societies*. Princeton University Press.

Stiglitz Joseph E. and Jay K. Rosengard (2015) *Economics of the Public Sector*, W. W. Norton & Company.

Weintraub, E. Roy (2014). *MIT and The Transformation of American Economics*. Duke University Press.

Professors Biographies



Clément Carbonnier and Yann Giraud are Associate Professors at University of Cergy-Pontoise and researchers at ThEMA (CNRS UMR 8184).

Clément Carbonnier teaches History of Economic thought and Public Economics at the University of Cergy-Pontoise, Microeconomics' principles at Sciences Po Saint-Germain-en-Laye and Social policies at Sciences Po. His research program focuses on the increasing role of incentive policies - mainly through tax cut - in economic regulation and particularly in social policies. He is co-director of the "socio-fiscal policies" research axis within the LIEPP Sciences Po, Scientific Advisor at the French Council of Economic Analysis and Associate Editor of *Economie et Statistique / Economics and Statistics*.



Yann Giraud teaches economics and management at the University of Cergy-Pontoise and at Sciences-Po Saint-Germain-en-Laye. His research program is focused on the way changes in economics textbooks and curriculums, as well as the more institutional debates within the economics professions, have reflected and/or affected the development of economic theorizing and its role in dealing with social issues. Every year, he co-organizes HISRECO, the Conference on the History of Recent Economics, is member of the board of the Association Charles Gide and of the editorial board of the newly created 'Science and Technology Studies' journal *Zilsel*.