

POLITICAL ECONOMICS (ECO 215A-B).
Fall 2012
Instructor: Gérard Roland

This course is reorganized relative to previous years. I still make use a lot of the book by T. Persson and G. Tabellini “Political Economics. Explaining Economic Policy”, MIT PRESS 2000 which synthesizes the large literature that has been growing analyzing the interaction between economic and political processes. However, I have reorganized the course in a way that I think is better.

Students are supposed to do the problem sets after each lecture. The exam will be based on problem sets.

Lecture 1. From Social Choice to Political Economics.

Persson-Tabellini (2000): Introduction.

Arrow, K. (1951) *Social Choice and Individual Values* , New York, John Wiley and Sons.

Sen, A. (1970) *Collective Choice and Social Welfare* North Holland, Amsterdam.

Geneakoplos, J. (2005), “Three Brief Proofs of Arrow’s Impossibility Theorem”, *Economic Theory*, 211-215.

Gibbard, A. (1973) “Manipulation of Voting Schemes”, *Econometrica* 41: 587-601.

Satterthwaite, M.A. (1975) “Strategy-proofness and Arrow’s Conditions: Existence and Correspondence Theorems for Voting Procedures and Social Welfare Functions”, *Journal of Economic Theory* 10: 187-217.

Lectures 2, 3 and 4. Median voter models, their applicability and applications to general interest politics.

Persson-Tabellini (2000): Chapters 2 and 6.

Gans, J. and Smart (1996) “Majority voting with Single-Crossing Preferences” *Journal of Public Economics*, 59(2), 219-237.

Davis, O., M.H DeGroot and M.J. Hinich (1972) “Social Preference Orderings and Majority Rule” *Econometrica* 40(1) , 147-157.

Romer, T. (1975) "Individual Welfare, Majority Voting and Properties of the Income Tax" *Journal of Public Economics*, 4(2), 163-185.

Robert, K. (1977) "Voting Over Income tax Schedules" *Journal of Public Economics*, 8(3), 329-340.

Meltzer, A.H and S. Richards (1981) "A rational theory of the size of government". *Journal of Political Economy* 89 (3): 914-927.

McKelvey, R.D. (1976) "Intransitivities in Multidimensional Voting Models and some Implications for Agenda Control" *Journal of Economic Theory* 12, 472-482.

Romer, T. and H. Rosenthal (1979) "Bureaucrats versus voters: On the Political Economy of Resource Allocation by Direct Democracy" *Quarterly Journal of Economics* 93: 563-87.

Bolton, P. and G. Roland (1997) "The Breakup of Nations: A Political Economy Analysis", *Quarterly Journal of Economics*, vol. 112 n° 4, pp. 1057-1090.

Cooley, T. and J. Soares (1999) "A Positive Theory of Social Security based on reputation", *Journal of Political Economy* 107, 135-160.
Other readings:

Roemer, J. (1999) "The Democratic Political Economy of progressive Income Taxation" *Econometrica* 67: 1-20.

Lecture 5. Probabilistic models of voting.

Persson-Tabellini (2000): Chapter 2, 3 and 7.

Dixit, A. and J. Londregan (1995) "Redistributive Efficiency and Economic Efficiency" *American Political Science Review* 89(4) 856-866.

Lindbeck, A. and J. Weibull () "Balanced Budget Redistribution and the Outcome of Political Competition" *Public Choice* 52(3), 273-297.

Lecture 6 and 7. Agency models of politics.

Persson-Tabellini (2000): chapter 4 and 9.

Ferejohn, J. (1986) « Incumbent Performance and Electoral Control" *Public Choice* 50(1-3): 5-25.

Persson, T. , G. Roland and G. Tabellini (1997) “Separation of Powers and Political Accountability” *Quarterly Journal of Economics* 112(4), 1163-1202.

Lecture 8. Partisan Politicians.

Persson-Tabellini (2000): Chapter 5.

Alesina, A. (1988) “Credibility and Policy Convergence in a two-party system with rational voters” *American Economic Review* 7(4), 706-805.

Besley, T. and S. Coate (1997) “An Economic Model of Representative Democracy” *Quarterly Journal of Economics* 112(1), 185-214.

Calvert, R. (1977) “Robustness of the Multi-Dimensional Voting Model: Candidate Motivations, Uncertainty and Convergence” *American journal of Political Science* 29(1), 69-95.

Wittman, D. (1977) “Candidates with Policy Preferences. A Dynamic Model” , *Jou nal of Economic Theory* 14(1), 180-189.

Osborne and Slivinski (1976) “ A Model of Political Competition with Citizen Candidates” *Quarterly Journal of Economics* 112(1), 65-96.

Lecture 9, 10 and 11. Special Interest Politics.

Persson-Tabellini (2000): chapter 7

Grossman and Helpman (1994) “Protection for Sale” *American Economic Review* 84(4), 833-850.

Grossman Helpman (2001) *Special Interest Politics*. Chapters 4 and 5.

Lecture 12. Political Regimes.

Persson-Tabellini (2000): chapter 10

Persson, T. , G. Roland and G. Tabellini (2000) “Comparative Politics and Public Finance” *Journal of Political Economy*, vol. 108 (6), pp. 1121-1161.

Lectures 13: Democratization.

Acemoglu and Robinson, *Economic Origins of Dictatorship and Democracy*, CUP 2006,
Chapters 6 and 7.

Students are recommended to read other chapters of the book.

Lecture 14: Optimal majority rules.

Bard Harstad “Majority Rules and Incentives” *Quarterly Journal of Economics* (2005)
120 (4): 1535-1568.

Ph. Aghion and P. Bolton “Incomplete Social Contracts” *Journal of the European
Economic Association* 1(1) 2003, pp. 38-67.

J. Buchanan and G. Tullock . *The Calculus of Consent*. 1967 University of Michigan
Press.

GRADE: final exam based on problem sets .