

## **POLITICAL ECONOMICS (ECON 215A).**

**Fall 2017**

**Instructor: Gérard Roland**

This course has been reorganized relative to recent years. I make less than before use 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. I have also reorganized the course following less individual chapters but organized more by class of models when appropriate. I also use Grossman Helpman *Special Interest Politics* MIT PRESS 2001 and Acemoglu and Robinson, *Economic Origins of Dictatorship and Democracy*, CUP 2006, Besley and Persson *Pillars of Prosperity* PUP 2011 for specific lectures as well as other papers on newer themes such as behavioral models of politics, political economy of autocracy and state capacity.

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

### **Lecture 1 (August 28). 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.

Problem set: given in class.

### **Lectures 2 and 3 (September 11 and 18). 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.

Problem set: given in class + Persson and Tabellini (2000) for Chapters 2, 3 and 4.

#### **Lecture 4 (September 25). 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.

Problem set: Persson and Tabellini (2000) for Chapters 2, 3 and 7.

### **Lecture 5 (October 2). 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.

Problem set: Persson and Tabellini (2000) for Chapters 4 and 9.

### **Lecture 6 (October 9). 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" , *Journal 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.

Problem set: Persson and Tabellini (2000) for Chapter 5.

### **Lecture 7 and 8 (October 16, and 23). 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.

Problem set: Persson and Tabellini (2000) for Chapter 7.

**Lecture 9 (October 30 (to be moved)): Behavioral Models of Politics.**

Passarelli and Tabellini (2017) « Emotions and Political Unrest » *Journal of Political Economy*.

Matejka and Tabellini (2017) « Electoral Competition with Rationnally Inattentive Voters » (Downloadable from Matejka’s web site).

**Lecture 10 (November 6). 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.

Problem set: Persson and Tabellini (2000) for Chapter 10.

**Lectures 11 (November 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 12 (November 20 (to be moved): Political Economy of Autocracy**

Egorov and Sonin (2011) “Dictators and their Viziers: Endogenizing the Loyalty-Competence Trade-Off.

Li, Weijia (2016) “ Meritocracy, Decentralization and Party-State Relationship: Theory and Evidence from China.

**Lecture 13 (November 27) : Political Economy of Weak States**

Besley and Persson *Pillars of Prosperity: The Political Economics of Development Clusters* Princeton University Press 2011, Chapters 2, 3 and 4.

Students are recommended to read other chapters of the book.

GRADE:  $\frac{1}{4}$  based on problem sets delivered on time,  $\frac{3}{4}$  final exam based on problem sets .