1 Overview

This is a graduate-level survey course in political economics. We discuss game-theoretic models of political processes. Topics include: basic social choice theory, direct democracy, electoral competition, political accountability, legislative bargaining, lobbying, corruption, conflict and factionalism, and institutional change. We are particularly interested in how these political processes influence economic outcomes, such as taxation, redistribution, public goods, investment, and growth. Note that this is a theory-oriented class; although there is important empirical work on many of these topics, it is not our focus.

We have 2nd year PhD students in the economics department in mind as the primary target, but we welcome and encourage participation from elsewhere such as GSB and political science.

Prerequisite The class will assume familiarity with game theory at the level of ECON 203. No specific background in political economy is needed. Some topics build on knowledge in basic micro- and macroeconomics (at the 1st year economics PhD level), but such background will not be systematically required to understand the course.

Textbook We primarily use original papers, so there is no required textbook. The recommended reference is Persson and Tabellini, Political economics: explaining economic policy, The MIT press, 2000 (referred to as “PT” in the reading list section).
Grading  There will be no problem sets. The assignments will be three literature reviews (25% each) and an in-class presentation (25%).

- Literature reviews (currently planned due dates: 2/3, 2/17, 3/3): Each of these will be a critical review of one or more related paper(s) not covered in detail in class. Summarize the papers’ main contributions, and provide constructive criticisms. We suggest 5 pages as a length guideline, but this is not meant to be rigid. Details will be announced later.

- In-class presentation: We ask each registered student to present in the class (the last 2 or 3 sessions will be allocated to student presentations, depending on enrollment). Each student is asked either to present one of his or her literature reviews, or to present one reviewed paper in detail.

2 Reading List

The reading list is a bit long; it is meant to give you inspiration for directions to explore. We will not cover every paper in class. Papers with ** are the main papers in each class — if you have time to read only one paper in detail per class, this is it. Papers with * will be covered in class in some detail as well.

This reading list is a more-or-less complete version. We may make minor changes during the quarter.

2.1 Voting and consequences (7 Lectures, Gabriel and Fuhito)

2.1.1 Basic voting theory: Social choice (Fuhito)


2.1.2 Possibility of aggregation: Median voter theorems (Fuhito)

• **Background Reading: PT Section 2.2


2.1.3 Positive theories of voting: Probabilistic voting and citizen-candidate models (Fuhito)

• Probabilistic Voting, Background Reading: PT 3.4


• Citizen Candidate Models, Background Reading: PT 5.1, 5.2


2.1.4 Voting for information aggregation (Fuhito)


2.1.5 Economic applications of voting models (Gabriel)

- Background reading: PT section 6.1


2.1.6 Inequality, redistribution, and ideology (Gabriel)


2.1.7 Electoral accountability (Gabriel)

- *Background reading: PT chapter 4, particularly 4.4–4.5.

2.2 Policy conflicts (2 lectures, Fuhito and Gabriel)

2.2.1 Bargaining models (Fuhito)

- Background reading: PT Section 5.4.


2.2.2 Dynamic conflicts (Gabriel)


2.3 Legislative decision-making (2 lectures: Fuhito)

2.3.1 Vote-buying models


2.3.2 Committee structure


2.4 Lobbying and interest groups (2 Lectures: Fuhito)

• Background Reading: PT Section 7.5.1.


2.5 Conflict and factionalism (2 lectures, Gabriel)


2.6 Corruption and government failure (2 lectures, Gabriel)


2.7 Dictatorship, democracy, and institutional change (1 lecture, Gabriel)


