

**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 .

Political economics is a field of study devoted to the analysis of political institutions and decision making using the analytical and empirical approaches employed in economics (i.e. rational-choice theory, game-theory, econometrics). This course reviews key contributions in the field of political economics, both theoretical and empirical. First, we will focus on studies that illustrate the key approaches in the study of democratic politics, elections, and policy choice. Then we will delve into different forms of non-electoral political bargaining. Political economy is the study of production and trade and their relations with law, custom and government; and with the distribution of national income and wealth. As a discipline, political economy originated in moral philosophy, in the 18th century, to explore the administration of states' wealth, with "political" signifying the Greek word *polity* and "economy" signifying the Greek word *oikonomia* (household management). The earliest works of political economy are usually attributed to the British.

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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

Political economics (eco 215A-B). Fall 2012 Instructor: Gárrard 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 Poli... Gárrard Roland. We propose a model with micropolitical foundations to contrast different political regimes. Compared to a parliamentary regime, the institutions of a presidential-congressional regime produce fewer incentives for legislative cohesion but more separation of powers. These differences are reflected in the size and composition of government spending.

Only a few years after the fall of the Berlin Wall and the introduction of comprehensive economic reform packages, political backlash is being observed nearly everywhere in Central and Eastern Europe. With a few notable exceptions such as the Czech Republic, voters are sending former communists back to power.