

Freie Universität Berlin
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 Summer Semester 2014

Political Economics

Time and Location: Tuesdays, 12-14, OEI, HS A, Garystr. 55.

Office Hours: Tuesdays, 15-17, OEI, Room 101A, Garystr. 55.

This course discusses economic models that are applicable in the study of politics. The main text for this course is Persson and Tabellini's *Political Economics: Explaining Economic Policy*. The first part of the course will focus on transitions from social choice theory to political economics, the role of median voter models and their applicability to general interest politics, probabilistic models of voting and agency models of politics. The second part of the course will concentrate in special interest politics, partisan politicians, political regimes and democratization. The slides for this course have been graciously provided by Prof. Gérard Roland. Attendance in all sessions is required. Students are expected to make a 20-minute presentation in a week of their choice. The course grade is defined by a final exam or a 20-page paper in the end of the semester. Students who decide to write the paper will have to present an original application from game theory or mechanism design into the study of political decision-making.

Grades:

Final or 20-page paper.

Required Textbooks:

1. Persson Torsten and Guido Tabellini. *Political Economics: Explaining Economic Policy*, MIT Press, 2000.
2. Brocas Isabelle et al. *Workbook to Accompany Political Economics: Explaining Economic Policy*, MIT Press, 2000.

Week 1: From Social Choice to Political Economics

- Persson and Tabellini, Introduction.
- Arrow K. (1951). *Social Choice and Individual Values*, New York, 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.

Weeks 2, 3 and 4: Median Voter Models, Their Applicability and Applications to General Interest Politics

- Persson and Tabellini, Ch. 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 no. 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.
- Roemer J. (1999). The Democratic Political Economy of progressive Income Taxation. *Econometrica* 67: 1-20.

Week 5: Probabilistic Models of Voting

- Persson and Tabellini, Ch. 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 (1987). Balanced Budget Redistribution as the Outcome of Political Competition. *Public Choice* 52(3), 273-297.

Weeks 6 and 7: Agency Models of Politics

- Persson and Tabellini, Ch. 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.

Week 8: Partisan Politicians

- Persson and Tabellini, Ch. 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.

Week 9, 10 and 11: Special Interest Politics

- Persson and Tabellini, Ch. 7.

- Grossman and Helpman (1994). Protection for Sale. *American Economic Review* 84(4), 833-850.
- Grossman and Helpman (2001). *Special Interest Politics*. Ch. 4 and 5.

Week 12: Political Regimes

- Persson and Tabellini, Ch. 10.
- Persson T., G. Roland and G. Tabellini (2000) .Comparative Politics and Public Finance. *Journal of Political Economy*, vol. 108 (6), pp. 1121-1161.

Week 13: Electoral Rules under Parliamentary Regimes

- Persson, T., G. Roland and G. Tabellini. (2007). How do Electoral Rules shape party structures, government coalitions and government policies? *Quarterly Journal of Political Science*: <http://elsa.berkeley.edu/~groland/pubs/QJPS.pdf>
- Milesi-Ferretti G.-M. Perotti R. and Rostagno M. (2002). "Electoral Systems and Public Spending", *Quarterly Journal of Economics*, 117(2), 609-658.
- Lizzeri A. and Persico N. (2001). "The Provision of Public Goods under Alternative Electoral Incentives" *American Economic Review*, 91(1), 225-239.
- Austen-Smith, D. (2000). "Redistributing income under proportional representation", *Journal of Political Economy*, 108, 1235-1269.

Week 14: Democratization

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