Political Economics, Winter 2014

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Lectures  Mondays and Wednesdays, 9:30am-10:45am, Kresge Hall 2-415

Course Description: This course aims to provide a rigorous analysis of key aspects of collective decision making. The first part focuses on social choice theory, or how individual preferences are aggregated to form a collective preference and determine a collective decision. The second part of the course analyzes the relation between individual preferences, politician motivations, and policy outcomes. In the last part of the course, the formal framework developed in early parts is applied to major policy issues: redistribution, pensions, and regional transfers.

Prerequisites: Economics 281, 310-1, 310-2. The class is definitely not well suited for freshmen or sophomores without good math background.

Evaluation: There will be about 6 problem sets (25% of the final grade), two in-class exams (25% each of the final grade), and a short final project (remaining 25%).

Problem sets are due at beginning of class on Thursdays. Worst problem set grade will be dropped from the average.

First Exam: Wednesday, February 5  
Second Exam: Monday, March 10  
Project due date: Monday, March 17

Exams will be open notes, but no electronic devices may be used. Any student who misses the midterm or final without accepted justification will receive no credit for the corresponding exam. Medical reasons require written confirmation from the University health services or your doctor. Non-medical reasons require a written excuse from official of the University (e.g., an official from the WCAS Dean's Office). A makeup for the midterm or final will be permitted only if there is a good reason for missing the exam. Suspicion of academic dishonesty will be referred immediately to the Dean's Office.


Lecture slides and notes and other reading material will be posted on Blackboard.

Additional readings (not required):  
Political Economics by Persson and Tabellini (MIT Press)  
Principled Agents? by T. Besley (Oxford University Press)
Course Overview (Subject to Change)

1. **Introduction**
   - Overview of the key questions
   *Analyzing Politics, Ch. 1*

2. **Social Choice Theory**
   - Definition orders, preferences
   - Condorcet winner, Condorcet cycles, Divide the Dollar
   - Arrow’s theorem: assumption, result, intuition, meaning and implications
   - May’s theorem
   - Single-peakedness
   *Analyzing Politics, Ch. 4*

3. **Spatial Models of Majority Rule**
   - Single peakedness, Black’s Median Voter Theorem
   - Multidimensional preferences: McKelvey’s Chaos Theorem
   - Spatial models of legislatures: pure majority rule, closed-rule committee system, open-rule committee system
   *Analyzing Politics, Ch. 5*

4. **Strategic Behavior and Manipulation**
   - Gibbard-Satterthwaite Theorem
   - Magnuson maneuver
   *Analyzing Politics, Ch. 6*

5. **Voting methods**
   *Analyzing Politics, Ch. 7*

6. **Electoral Competition**
   - Downs model
   - Probabilistic voting
   - Partisan politicians
   *Lecture Notes*

7. **Legislative Bargaining and Agenda-Setting**
   *Lecture Notes*

8. **Redistribution** (*Lecture Notes*)

9. **Campaign contributions and lobbying** (*Lecture Notes*)

9. **Voter Turnout** (*Lecture Notes*)

10. **Direct Democracy vs. Politicians** (*Lecture Notes*)