

Political Economics, Spring 2017

Instructor Bruno Strulovici, 3213 Andersen Hall.
b-strulovici@northwestern.edu
Office hours: Fridays 10am-11am and 2pm-4pm

Lectures Mondays and Wednesdays, 9:30am-10:45am, University Hall 122

Course Description: This course provides a rigorous analysis of key aspects of collective decision making and institutional design. The first part concerns *social choice*: How can individual preferences be aggregated into collective preferences and decisions? Which voting rules are desirable? The second part will cover the interplay between preferences, incentives, and policy outcomes. The last part applies the concepts and techniques to various policy issues: redistribution and inequality, the comparison of collective decision rules such as representative and direct democracy based on referendum and propositions, and institutional design.

Prerequisites: Economics 281, 310-1, 310-2.

Evaluation: 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 Mondays. The worst problem set grade is dropped from the average.

First Exam: Wednesday, April 27
Second Exam: Wednesday, May 24
Project due date: Wednesday, June 7

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.]

Textbook: *Analyzing Politics, Rationality, Behavior and Institutions* by Shepsle and Bonchek (Norton)

Lecture slides and other reading material will be posted on Canvas

Suggested readings (not required)

Political Economics by Persson and Tabellini (MIT Press)
Principled Agents? by T. Besley (Oxford University Press)

Course Overview

1. Introduction (*Analyzing Politics, Ch. 1*)
 - Overview of the key questions
2. Social Choice Theory (*Analyzing Politics, Ch. 4*)
 - Definition orders, preferences
 - Condorcet winner, Condorcet cycles, Divide the Dollar
 - Arrow's theorem: assumption, result, intuition, meaning and implications
 - May's theorem
 - Single-peakedness
3. Spatial Models of Majority Rule (*Analyzing Politics, Ch. 5*)
 - Single peakedness and single crossing, Black's Median Voter Theorem
 - Multidimensional preferences
 - Spatial models of legislatures: pure majority rule, closed-rule committee system, open-rule committee system
4. Strategic Behavior and Manipulation (*Analyzing Politics, Ch. 6*)
5. Investigations failures and evidence manipulation (*Lecture Notes*)
6. Voting methods (*Analyzing Politics, Ch. 7*)
7. Matching mechanisms (*Lecture Notes*)
8. Electoral Competition (*Lecture Notes*)
 - Downs model
 - Probabilistic voting
 - Partisan politicians
9. Legislative Bargaining and Agenda-Setting (*Lecture Notes*)
10. Redistribution (*Lecture Notes*)
11. Campaign contributions and lobbying (*Lecture Notes*)
12. Voter Turnout (*Lecture Notes*)
13. Referendum, proposition, and citizen initiatives vs. Representative democracy (*Lecture Notes*)