

European University Institute

**Topics in Political Economy
Spring 2013**

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• **Classes:** TBA

• **Office Hours:** TBA

• **Texts:**

Class notes will be distributed.

Optional texts for overview and general references are:

Austen-Smith, D. and J. Banks (1998), *Positive Political Theory I: Collective Preferences*, University of Michigan Press.

Grossman, G. and E. Helpman (2001), *Special Interest Politics*, MIT Press.

Mueller, D. (2003), *Public Choice III*, Cambridge University Press.

Persson, T. and G. Tabellini (2000), *Political Economics: Explaining Economic Policy*, MIT Press.

• **Course Objectives:** The aim of this course is to introduce you to theoretical and applied research in political economy. The focus will be on formal analysis of the strategic interaction between rational individuals, political institutions, and economic outcomes. Some of the questions we are interested in are: Why do people vote? What are the incentives of elected politician and what is the effect of these incentives on the policies they will implement? To what extent differences in political institutions account for differences in redistributive policies?

Topics that will be covered include: theory of voting, models of direct democracy, models of electoral competition, the political economy of redistribution, comparative political institutions, campaign advertising, redistricting.

• **Course Requirements:** There will be a final exam. More information will be provided in class.

• **Subjects and Readings**

The following reading list should be regarded as tentative and subject to revision.

1. Basic Results in the Theory of Voting

Gans, J. and M. Smart (1996), "Majority Voting with Single-Crossing Preferences," *Journal of Public Economics*, 59, 219-237.

Shepsle, K. (1979), "Institutional Arrangements and Equilibrium in Multidimensional Voting Models," *American Journal of Political Science*, 23, 27-59.

2. Participation and Information Aggregation

Ledyard J. (1984), "The pure theory of large two-candidate elections," *Public Choice*, 44, 7-41.

Palfrey T. and H. Rosenthal (1983), "A strategic calculus of voting," *Public Choice*, 41, 7-53.

Palfrey T. and H. Rosenthal (1985), "Voter Participation and Strategic Uncertainty," *American Political Science Review*, 79(1), 62-78.

Feddersen, T. and W. Pesendorfer (1996), "The Swing Voter's Curse," *American Economic Review*, 86, 408-424.

3. Models of Direct Democracies

Meltzer, A. and S. Richard (1981), "A Rational Theory of the Size of Government," *Journal of Political Economy*, 89, 914-927.

Romer, T. and H. Rosenthal (1979), "Bureaucrats versus Voters: On the Political Economy of Resource Allocation by Direct Democracy," *Quarterly Journal of Economics*, 93, 563-587.

Herrera, H. and A. Mattozzi (2008), "Quorum and Turnout in Referenda," *Journal of the European Economic Association*, 8, 838-871.

4. Models of Electoral Competition

Lindbeck, A. and J. Weibull (1987), "Balanced-Budget Redistribution as the Outcome of Political Competition," *Public Choice*, 52, 273-297.

Osborne, M. and A. Slivinski (1996), "A Model of Political Competition with Citizen-Candidates," *Quarterly Journal of Economics*, 111, 65-96.

Besley, T. and S. Coate (1997), "An Economic Model of Representative Democracy," *Quarterly Journal of Economics*, 112, 85-114.

5. Dynamic Models

Ferejohn, J. (1986), "Incumbent Performance and Electoral Control," *Public Choice*, 50, 5-25.

Banks, J. and R. Sundaram (1998), "Optimal Retention in Agency Problems," *Journal of Economic Theory*, 82, 293-323.

Mattozzi, A. and A. Merlo (2008), "Political Careers or Career Politicians?" *Journal of Public Economics*, 92, 597-608.

6. Comparing Political Institutions

Myerson, R. (1993), "Incentives to Cultivate Favored Minorities under Alternative Electoral Systems," *American Political Science Review*, 87, 856-869.

Persson, T., Roland, G. and G. Tabellini (1997), "Separation of Powers and Political Accountability," *Quarterly Journal of Economics*, 112, 1163-1202.

Lizzeri, A. and N. Persico (2001), "The Provision of Public Goods under Alternative Electoral Incentives," *American Economic Review*, 91, 225-239.

Iaryczower, M. and A. Mattozzi (2010), "On the Nature of Competition in Alternative Electoral Systems."

7. Campaign Advertising

Grossman, G. and E. Helpman (1996), "Electoral competition and special interest politics," *Review of Economic Studies* 63(2), 265-286.

Coate, S. (2004), "Political Competition with Campaign Contributions and Informative Advertising" *Journal of the European Economic Association*, 2(5), 772-804.

Prat, A. (2002), "Campaign Advertising and Voter Welfare," *Review of Economic Studies* 69(4), 999-1017.

Persico, N. and N. Saughuet (2006), "Campaign Spending Regulation in a Model of Redistributive Politics," *Economic Theory* 1(5), 95-124.

Galeotti, A. and A. Mattozzi (2011), "Personal Influence: Social Context and Political Competition," *American Economic Journal: Microeconomics*.