Economics 468 – Spring 2023

Political Economics:

Collective Decisions and Individual Values

Instructor	Arjada Bardhi
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Class meetings	WF 3:30 - 4:45 PM at Perkins LINK 071 (Classroom 5)
Office hours	Wednesdays, 10 AM - noon, SocSci 223 / Zoom (sign-up through Sakai)

Course description

This course offers a rigorous introduction to models of collective decision making. The first part of the course surveys classic results in social choice theory: How can a collective of diverse individuals choose a winning outcome from a set of options? Is a collective preference ever coherent? Are certain voting procedures superior to others? The second part of the course turns to models of electoral competition, political accountability, and political influence (such as lobbying, agenda setting, and vote buying). How do politicians craft platforms? Can citizens hold elected politicians accountable? Should we worry about the influence of special interests in politics? The last part of the course focuses on (mis)information in collective decision processes. Do mass elections successfully aggregate dispersed information? What are the electoral effects of media bias? How do politicians persuade? Though the primary focus of the course is theoretical, we will also survey key empirical work related to these models.

References

Lecture slides, recordings, and all reading materials will be posted on Sakai. The class material will be based on select chapters of the references listed below, as well as journal articles, literature surveys, and non-academic sources. Shepsle (2010), denoted with (*) below, will serve as a fun and concise read for the first part of our course, although many of the arguments in the lecture slides will be discussed more formally.

- *Analyzing Politics: Rationality, Behavior, and Institutitons*, 2nd ed., Kenneth A. Shepsle, W. W. Norton & Company, 2010. (*)

- *The Arrow Impossibility Theorem*, Eric Maskin and Amartya Sen, Columbia University Press, 2014.

- *Perspectives on Positive Political Economy*, James E. Alt and Kenneth A. Shepsle, Cambridge University Press, 1990.

- *Principled Agents? The Political Economy of Good Government*, Timothy Besley, Oxford University Press, 2006.

Prerequisites: Econ 201 and 205.

Grading policy

Evaluation is based on two problem sets (20 %), two reflection pieces (10 %), a midterm exam (30%), and a final exam (40%). Problem sets and reflection piece assignments will be posted a week prior to their due date. Students will be assigned to groups of 3-4 students to work on and submit answers to the problem sets. The group allocation will be randomized for each problem set. The midterm exam will be an in-class exam. The final exam will be take-home and it will take place on May 1 at 9am - noon.

Tentative schedule of topics

Week 1: Introduction to political economics and the course (Chapter 2)

Jan 13: Refresher on the rationality model

Week 2: Fundamentals of social choice theory (Chapter 3-4)

Jan 18: Preference aggregation, simple majority rule, Condorcet winner, Condorcet paradox

Jan 20: May's Theorem, Arrow's Impossibility Theorem

Week 3: Closer look into Arrow's Impossibility Theorem

Jan 25: Three proofs of Arrow's Impossibility Theorem (Geanakoplos, *Economic Theory*, 2005)

Jan 27: From impossibility to possibility results (Sen, *American Economic Review*, 1999)

Week 4: Spatial voting and the Hotelling-Downs model of spatial elections (Chapter 5)

Feb 1: Spatial formulation, Black's Median Voter Theorem, McKelvey's Chaos Theorem

Feb 3: Hotelling-Downs model of spatial elections, spatial models of legislatures

Reflection piece 1 due on February 3 at the beginning of class.

Week 5: Strategic voting and Gibbard-Satterthwaite Theorem (Chapter 6)

Feb 8: Strategic voting, sophisticated voting

Feb 10: Gibbard-Satterthwaite Theorem

Problem set 1 due on February 10 at the beginning of class.

Week 6: Voting rules and electoral systems (Chapter 7)

Feb 15: Voting methods, Borda count, plurality system, storable votes, quadratic voting

Feb 17: **Midterm exam**

Week 7: Models of electoral competition

Feb 22: Competition in representative democracies

Feb 24: Political motivations, signaling character and identity in electoral competition

Week 8: Citizen candidates and businessman candidates

March 1: Osborne and Slivinski (*Quarterly Journal of Economics*, 1996), Gehlbach, Sonin and Zhuravskaya (*American Journal of Political Science*, 2010)

March 3: Review / catch-up.

Week 9: Political agency and accountability

March 8: Electoral accountability, retrospective voting, term limits, separation of powers

March 10: The politician and the judge, Maskin and Tirole (*American Economic Review*, 2004)

Spring break March 10-20.

Week 10: Lobbying, vote-buying, and campaign contributions

March 22: Special interest politics and campaign giving, political influence

March 24: Equilibrium in the market for votes

Problem set 2 due on March 24 at the beginning of class.

Week 11: Information aggregation and the swing voter's curse

March 29: The swing voter's curse

March 31: Information aggregation and informative voting in elections, rational ignorance

Week 12: Persuasion in politics

April 5: Voter persuasion, persuasion through social networks

April 7: Media bias, the market for news, telecracies

Reflection piece 2 due on April 7 at the beginning of class.

Week 13: Power, coercion, and legislative bargaining (Chapter 12)

April 12: Power in dyads and triads

April 14: Bargaining over public goods

Week 14: Participatory democracy: lottocracies, minipublics, and referenda

April 19: Osborne, Rosenthal, and Turner (*American Economic Review*, 2000)

April 21: Matsusaka (*Journal of Economic Perspectives*, 2005), minipublics and lottocracies

Final exam on May 1.