

Haverford College - Department of Economics
ECON377 - JUNIOR RESEARCH SEMINAR: POLITICAL ECONOMY
Spring Term 2020

SYLLABUS

Course Description

This is a seminar course in political economy. The focus is on critical reading of seminal works and developing students own research skills. Topics covered include: (i) models of elections and application of voting models to redistributive policies, (ii) legislative bargaining, (iii) interest groups and lobbying, (iv) constitutions and federalism. (v) information, cheap talk and communication, and (vi) dynamic political economy with applications to democratization and debt.

Instructor

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Office Location: 207, Chase Hall

Office Hours: Tuesdays 7:30-9:30pm

Texts

Most of the material in this course will involve reading journal articles (see reading list, below). For students who desire an additional resource, the following texts are quite helpful:

- Torsten Persson & Guido Tabellini, *Political Economics: Explaining Economic Policy*, MIT Press, 2002
- Martin Osborne, *An Introduction to Game Theory*, Oxford UP, 2005.

An electronic copy of Osborne (an older edition) will be available on Moodle. Students who have not taken a course in game theory would be advised to review the following: Chapter 2 (pp. 11-35), Chapter 4 (pp. 105-112) and Chapter 5 (pp. 151-170). Chapters 3 and 6 provide additional examples that might prove useful, and Chapter 9 discusses game theory with imperfect information.

Prerequisites

ECON201 or ECON 300, MATH118 (MATH121 is desirable),

This course is intended as part of the Mathematical Economics concentration and is most suitable for students who enjoy theoretical and analytic approaches to economics.

Structure of Seminar

The seminar will be structured around student presentations of the readings. Students will present in pairs and will give a 45-60 minute presentation on a paper from the reading list, followed by class discussion. All students must be prepared to discuss the assigned readings, even if they are not presenting. Presentations should seek to both explain the main ideas of the paper, and to critically evaluate these. The presenter should meet with the instructor in the days before his/her presentation to discuss the paper. Students should expect to present 3-4 times over the course of the semester. In addition, twice during the

semester, students will be assigned to write a (2 page) summary/critique of one of the papers being presented. The goal is to explain technical material in the student's own words.

Typically, we will have two presentations per session. Occasionally, in lieu of presenting a paper, we will consider a recent issue of interest and collectively build a model to help explain the observed outcomes/curiosities.

At the end of the semester, students will submit a term-paper, in which they will explore a model of their own design. Students may work in pairs.

Assessment

Student evaluation will be based on presentations (30%), article summaries (20%), term paper (20%), class participation (30%).

Course Outline & Required Readings

Week 1 Social Choice Theory, Single-Peakedness

- Introductory lecture notes (see Moodle)
- Game Theory review.

Week 2: Probabilistic Voting

- Palfrey, T. R., & Rosenthal, H. (1983). A strategic calculus of voting. *Public Choice*, 41(1), 7-53.
- Persson, T., & Tabellini, G. (1999). The size and scope of government:: Comparative politics with rational politicians. *European Economic Review*, 43(4), 699-735.

Week 3: Retrospective Voting

- Ferejohn, J. (1986). Incumbent performance and electoral control. *Public choice*, 50(1), 5-25.
- Rogoff, K. S. (1990). Equilibrium political budget cycles. *American Economic Review*, 80(1), 21-36

Week 4: Redistribution and the Laffer Curve

- Meltzer, A. H., & Richard, S. F. (1981). A rational theory of the size of government. *The Journal of Political Economy*, 914-927.
- Moene, K. O., & Wallerstein, M. (2001). Inequality, social insurance, and redistribution. *American Political Science Review*, 95(04), 859-874.

- Week 5: Social Justice and Redistribution
- Alesina, A., & Angeletos, G. M. (2005). Fairness and redistribution. *American Economic Review*, 960-980.
 - Nash, J. (1950). The Bargaining Problem. *Econometrica*, 18(2), 155-162.
- Week 6: Legislative Bargaining
- Roemer, J.E. (1999). 'The Democratic Political Economy of Progressive Taxation', *Econometrica*, 67(1), 1-19
 - Baron, D. P., & Ferejohn, J. A. (1989). Bargaining in legislatures. *The American Political Science Review*, 1181-1206.
- Week 7: Bargaining (cont.)
- Banks, J. S. (2000). Buying supermajorities in finite legislatures. *American Political Science Review*, 677-681.
 - Parameswaran, G., & Rendleman, H. (2019). Redistribution under General Decision Rules.
- Week 8: Nations, Polities and Secession
- Bolton, P., & Roland, G. (1997). The breakup of nations: a political economy analysis. *The Quarterly Journal of Economics*, 112(4), 1057-1090.
 - Alesina, A., & Spolaore, E. (1997). On the Number and Size of Nations. *The Quarterly Journal of Economics*, 112(4), 1027-56.
- Week 9: Judiciary
- Parameswaran, G., Cameron, C.M., & Kornhauser, L.A. (2019), Bargaining and Strategic Voting on Appellate Courts.
 - Modelling Exercise # 1.
- Week 10: Lobbying
- Groseclose, T., & McCarty, N. (2001). The politics of blame: Bargaining before an audience. *American Journal of Political Science*, 100-119.
 - Coate, S., & Morris, S. (1995). On the form of transfers to special interests. *Journal of Political Economy*, 1210-1235.
- Week 11: Information
- Feddersen, T., & Pesendorfer, W. (1998). Convicting the innocent: The inferiority of unanimous jury verdicts under strategic voting. *American Political Science Review*, 23-35.
 - Gilligan, T. W., & Krehbiel, K. (1987). Collective decisionmaking and standing

committees: An informational rationale for restrictive amendment procedures. *JL Econ. & Org.*, 3, 287.

Week 12: Federalism

- Besley, T., & Coate, S. (2003). Centralized versus decentralized provision of local public goods: a political economy approach. *Journal of public economics*, 87(12), 2611-2637.
- Modelling Exercise # 2

Week 13: Federalism and Dynamics

- Persson, T., & Tabellini, G. (1996). Federal fiscal constitutions: Risk sharing and moral hazard. *Econometrica: Journal of the Econometric Society*, 623-646.
- Persson, T., & Svensson, L. E. (1989). Why a stubborn conservative would run a deficit: Policy with time-inconsistent preferences. *The Quarterly Journal of Economics*, 104(2), 325-345.

Week 14: Dynamics

- Acemoglu, D., & Robinson, J. A. (2001). A theory of political transitions. *American Economic Review*, 91(4), 938-963.