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Office Hours: Mondays and Thursdays 16:30-17:30 or by appointment

ECO3300/434H1S: POLITICAL ECONOMY  
WINTER 2013

What is political economy? Originally synonymous with the study of economics, today political economy typically refers to the investigation of how institutional design impacts the behavior of agents and subsequent outcomes. The field encompasses both macro and microeconomic topics, such as the distributional effects of tax policies and information aggregation in legislative committees, respectively. This course will focus, though not exclusively, on microeconomic topics. In the first half of the course, I will lecture on the behavior of agents in the political environment, such as voters, candidates and legislatures, addressing the main theoretical findings. In the second half of the course, students will take the lead by presenting and discussing current work, primarily empirical, in political economy that builds on the theoretical topics we covered. The objective of the course is to provide a basic understanding of and competence in critically evaluating the political economy literature.

CLASS TIME AND LOCATION:

Thursdays 11:10am to 1:00pm, LM 123

Fridays 11:10am to 12:00pm, LM 123 (when announced)

RECOMMENDED TEXTBOOKS:

*Perspectives on Positive Political Economy*, by J. Alt and K. Shepsle, Cambridge University Press.

*Positive Political Theory I: Collective Preference*, by D. Austen-Smith and J. Banks, University of Michigan Press.

*Positive Political Theory II: Strategy and Structure* by D. Austen-Smith and J. Banks, University of Michigan Press.

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

*Principled Agents: The Political Economy of Good Government*, by T. Besley, Oxford University Press.

EVALUATION:

Problem sets - 20%

Presentation and subsequent paper- 40%

Response papers - 10%

Class participation - 30%

PROBLEM SETS:

There will be two problem sets that address the material covered in the lectures (i.e., the first half of the course, until reading week). The goal of the problems is to help you internalize some of the concepts and theoretical results we will address.

PRESENTATION AND SUBSEQUENT REPORT:

I will provide topics from which students can choose a paper for presentation. You must indicate your choice by February 7th. Following reading week, each meeting will be dedicated to one of the topics. The idea is for students who choose the same topic to each pick a paper that is linked to the others. You will be expected to

present your paper with reference to the other papers presented by your topic group. The presentation should be approximately twenty minutes (excluding Q&A). Your evaluation on this portion of the task will be a function of the degree of cohesion among presentations by the topic group. Therefore, I encourage you to work together to streamline your presentations. Each group is required to meet with me (at least once) one week before your scheduled presentation to discuss your strategy.

One week from your presentation you will be expected to turn in a critical evaluation (approximately 10 pages) of the paper you presented, which addresses other literature that has cited your paper and clearly communicates what types of questions the paper can help answer and what types it cannot. The report should internalize relevant feedback you get during your presentation.

#### RESPONSE PAPERS:

For each presentation, two students (from a different topic group) are required to write a short response paper (approximately 4 pages). These papers should summarize the main contribution and results of the paper and pose several discussion questions for class. The response papers are due by Tuesday at midnight (11:59pm) before the presentation and should be emailed to the entire class. The papers are meant to foster a fruitful class discussion.

#### CLASS PARTICIPATION:

This class is set up as a seminar and works best if students are engaged in the material discussed in class. You will be expected to contribute to the discussions and read the papers chosen to be presented in class ahead of time (whether or not you are writing a response paper). Your evaluation will be based on the quality of your discussion and contribution to foster dialogue in class that benefits all participants.

#### LECTURES:

I will address the behavior of voters, politicians, parties and government with a particular focus on preference and information aggregation, as well as common agency and special interests. You may wish to consult the following sources online in addition to the suggested textbooks:

1. *Whither Political Economy? Theories, Facts and Issues: Extended Version*. Supplement to Merlo, "Whither Political Economy? Theories, Facts and Issues," in R. Blundell, W. Newey and T. Persson (eds.), *Advances in Economics and Econometrics, Theory and Applications: Ninth World Congress of the Econometric Society*, Vol. I, pp. 381-421, Cambridge: Cambridge University Press, 2006. (see: <http://www.ssc.upenn.edu/~merloa/>).
2. *Lectures on Voting and Information Aggregation* by David Austen-Smith (see: <http://www.kellogg.northwestern.edu/faculty/austen-smith/dasm/>).
3. *Lectures on Public Choice* by Stephen Coate (see: <http://www.arts.cornell.edu/econ/sc163/>).

#### A PARTIAL LIST OF TOPICS FOR STUDENT PRESENTATIONS:

Interest groups, voters, political parties, political corruption, the media, career concerns, redistribution, electoral systems, campaign finance, comparative political institutions, international political economics, endogenous political institutions.

#### SCHEDULE:

Lectures: January 10, 17, 24, 31; February 7, 14,

Student presentations: February 28; March 7, 14, 21, 28; April 4 (and Fridays, if necessary)

February 21: reading week, no class