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Office Hours: Tuesdays 11-12 or by appointment

ECO3300/422H1S: POLITICAL ECONOMY
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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 policy 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, covering both theoretical and empirical work. In the second half of the course, students will take the lead by presenting and discussing current work in political economy. The objective of the course is to provide a basic understanding of and competence in critically evaluating the political economy literature.

CLASS TIME AND LOACTION: Mondays 1:10 to 3:00pm, UC 248

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.

Economic Origins of Dictatorship and Democracy by D. Acemoglu and J. Robinson, Cambridge University Press.

EVALUATION:

Problem Sets - 20%

Presentation - 20%

Response papers - 15%

Class participation - 15%

Paper - 30%

PROBLEM SETS:

There will be one or two problem sets that address the material covered in the lectures (i.e., the first half of the course, until reading week). The problems will not require data analysis, but may assume knowledge of econometrics.

PRESENTATION:

Each student must choose, from the list that I will provide, one paper to present in class. You may consult with me about presenting an alternative paper that is not on the list. The presentation should

be approximately twenty minutes (excluding Q&A). I will post the list of papers outside my office. You must indicate your choice on the list by February 14th.

RESPONSE PAPERS:

For each student presentation, at least two other students are required to write a short response paper (approximately 4 pages). These papers should critically summarize the main contribution and results of the paper. Ideally, you should pose several questions and indicate the shortcomings of the paper. The response papers are due no later than midnight the day before the presentation and should be emailed to the entire class (using Blackboard). The papers are meant to foster a fruitful class discussion.

CLASS PARTICIPATION:

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.

PAPER:

You are required to write a medium-length (approximately 15 pages) paper describing a specific topic that interests you in political economy. The paper should review the relevant literature and discuss how contributions might be made to this literature. Ideally, though not necessarily, this topic would be related to one of your response papers or the paper you choose to present in class. The paper is due by April 11th at 5pm.

LECTURES:

I will address the behavior of voters, politicians, parties and government with a particular focus on preference and information aggregation. You may wish to consult the following sources online:

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.
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, political parties, the media, career concerns, redistribution, electoral systems, campaign finance, comparative political institutions, international political economics, endogenous political institutions and many more.

SCHEDULE:

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

Student presentations: February 28; March 7, 14, 21, 28; April 4

February 21: reading week, no class