



THE ROBERT DAY SCHOOL
CLAREMONT MCKENNA COLLEGE

**Economics 104 – Foundations of Political Economy
Spring 2021 Syllabus**

Professor Cameron Shelton
Bauer North 322
Office Hours: Mon 12:45-2:30pm, Fri 8:30 – 10:30am

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Course	Lecture Time	Location	Final Exam
Econ 104	M/W 11:00-12:15	Zoom	TBD by registrar

Textbook

Merlo, Antonio. *Political Economy and Policy Analysis*. 2019. Routledge.
Available as a downloadable e-book from Honnold

Course Description

Most of economics takes politics for granted. More attention is paid to deriving ideal policy than to explaining how actual policy is made. Governments and political institutions are composed of people and groups who respond to incentives and whose behavior can be studied using the tools of economics. We will use game theory to model political competition and political actors including voters, parties, lobbyists, and the media. We will consider related empirical evidence and discuss proper methods of empirical design and statistical inference.

Prerequisites

Econ 101 plus either Econ 120 or Gov 55

Learning Objectives

Understand political institutions and competition from a game theoretic lens.
Have an improved understanding of applied statistics and causal inference.
Be familiar with certain numeric measures used in the quantitative study of politics.

Grading Criteria:

The final numerical grade will be calculated as the weighted average of the individual assignment grades using the following weights:

- 7 problem sets: 20%
- 2 paper summaries: 20%
- Discussion participation: 10%
- Midterm: 20%
- Final: 30%

A curve will be applied to each of these categories to give a letter grade for the category. Letter grades for the course will be a weighted average of the letter grades for each category, using the weightings above. The distribution of final grades will be broadly in line with other upper-division econ electives.

Policies

Required Readings

Merlo, Antonio. *Political Economy and Policy Analysis*. 2019. Routledge. Selected sections listed below. Several academic papers listed in the schedule below, available on Sakai.

Lectures

Sometimes I will lecture in real time, using a white board or Powerpoint over Zoom. Other times I will flip the classroom and record a 45 minute lecture for you to watch. On these days, I will split the class into three smaller groups to discuss the material and answer questions. Each group will meet on Zoom for a 25-minute discussion of the papers. Group A will meet 11:00-11:25, group B 11:25-11:50, and group C 11:50-12:15. Each student will rotate between the groups and be grouped with a different set of peers each time. The idea behind the two modes are to postpone monotony and experiment with flipping the classroom. Which days will be in which mode will depend on the suitability of the material and the tenor of the class. While I have ideas, the schedule is not yet set in stone as I should like to respond to how the class is faring.

Problem Sets

Problem sets will be posted on the course website hosted on Sakai. The due dates are noted on your syllabus and will be reiterated on the problem set. Problem sets will consist of a few questions of my design, including extensions of the model from class uses of data to test it in either Excel or Stata. Detailed solutions will be posted the day following the due date. I strongly suggest you check your work against the solutions to measure your understanding.

Paper Presentations and Subsequent Discussion

Seven of our meetings are marked explicitly in the schedule below as discussion sessions. Each session has a list of four papers to be discussed. Students will read, summarize, and orally present each of these papers. Oral presentations will be subject to a strict 8-minute time limit. They will be accompanied by slides. They must be uploaded to the proper Sakai folder by 11:59pm the day before the relevant class date. Students in class are responsible for watching these presentations, taking notes, and being prepared for the ensuing discussion.

For each group of papers, I will split the class into three groups for the discussion. These assignments will be posted ahead of time. Each group will meet on Zoom for a 25-minute discussion of the papers. Group A will meet 11:00-11:25, group B 11:25-11:50, and group C 11:50-12:15. Each student will rotate between the groups and be grouped with a different set of peers each time. Each group will discuss (with me) the papers as a set in the context of the model we have learned previously to assess the current state of knowledge on the topic. Your contributions in these discussions form the bulk of your participation grade.

Each student will be responsible for two such presentations, which must come from different sessions. Guidelines on what is expected will be available on Sakai. All students are expected to have skimmed each of the papers and watched the presentations so as to be ready to participate in discussion. I will explicitly discuss how to read papers and how to present well on March 3rd. Signups for the papers will open immediately following this discussion.

Collaboration

Students may collaborate with, at most, two other students on problem sets. In this case, one problem set may be handed in with all students' names written on the finished problem set. All students will receive the same grade. I will not accept problem sets from groups of four: split into twos and work separately. The danger of group work is that students will, rather than learning from each other, simply divide the labor and learn only their portion of the material. **Be sure you each understand**

the entirety of the material as you will be individually responsible for it on exams which form the bulk of your grade.

Exams

The midterm and final will be real-time over Zoom, open notes. The midterm date can be found in the assignment schedule below. The final will cover the material since the midterm and be conducted at the registrar assigned time. Exams will consist of simpler problem-set style questions plus short-answer questions drawing on other aspects of lecture and the readings.

Disability

If you have any problems with the terms of this syllabus due to a disability you must let me know within the first two weeks of class. Note: if you require alternative arrangements for the exams I must be contacted by the Dean of Students Office but it is your responsibility to coordinate with me at least two weeks prior to the exam.

Absence

You must notify me within the first two weeks of the course if you are going to miss an exam due to a legitimate school-sanctioned activity. I reserve the right to approve all such requests.

Academic Dishonesty

Please be aware that any incidence of academic dishonesty (plagiarism, cheating, etc.) will be taken **extremely** seriously. All cases will be reported to the Academic Standards Committee immediately.

Distance Learning, Time Zones, and Zoom

As advertised in the time schedule, much of this class is synchronous. For the purposes of community, I expect cameras to be on during synchronous class time. If you have challenges due to time zones or internet connections, please chat with me as soon as possible so that we can come to an understanding.

Course Outline and Assignment Schedule

I. Collective Decision Making

Question: How do we structure a collective decision process to ensure efficient group decisions?

- Mon Jan 25* Introduction, Syllabus, and the Condorcet Jury Theorem
- Wed Jan 27* The Condorcet Jury Theorem and extensions
- Mon Feb 1:* Social Choice: Impossibility, Chaos, Structured Equilibrium, Positional Voting
Merlo, chapter 3
- Wed Feb 3:* Spatial Models: Party platforms and Downsian convergence
Merlo, chapter 5.1
Problem Set 1 due 11:59pm
- Mon Feb 8:* How Frequent are Voting Paradoxes?

II. A baseline model with both political institutions and decentralized markets

Question: Can a simple political economy model explain important phenomena?

- Wed Feb 10:* Redistribution: the Meltzer-Richard model
Merlo, chapter 12
Problem Set 2 due 11:59pm
- Mon Feb 15:* Redistribution: the Meltzer-Richard model bis
- Wed Feb 17:* Testing the model with relevant evidence on redistribution
- i. Husted and Kenny. 1997. "The Effect of the Expansion of the Voting Franchise on the Size of Government." *Journal of Political Economy*.
 - ii. Lott and Kenny. 1999. "Did Women's Suffrage Change the Size and Scope of Government?" *Journal of Political Economy*.
 - iii. Miller. 2008. "Women's Suffrage, Political Responsiveness, and Child Survival in American History." *Quarterly Journal of Economics*.
 - iv. Fujiwara. 2015. "Voting Technology, Political Responsiveness, and Infant health: Evidence from Brazil." *Econometrica*.

III. Representative Democracy: The Role of Political Parties

Question: Why do parties exist and what role do they play in the electoral equilibrium?

- Mon Feb 22:* Parties as Partisan Coalitions
- i. Merlo, chapter 6.2
 - ii. Krehbiel. 1993. "Where's the Party?" *British Journal of Political Science*.
Sections 1 and 2.
- Problem Set 3 due 11:59pm**
- Wed Feb 24:* Parties as Informative Labels
Snyder and Ting. 2002. "An Informational Rationale for Parties" *American Journal of Political Science*.
- Mon Mar 1:* Parties: spillover

- Wed Mar 3:* **First Midterm: Covers material through lecture of Feb 22nd and PS3**
- Mon Mar 8:* *No Lecture (Spring Break)*
- Wed Mar 10:* *No Lecture (Spring Break)*
- Mon Mar 15:* Guidelines for paper presentations and discussion of statistical inference
- Wed Mar 17:* Inferring Spatial Positions of Representatives
 Everson et al "NOMINATE and American Political History: A Primer"
Problem Set 4 due 11:59pm
- Mon Mar 22:* Further Measures of Ideology
 Bonica. 2014. "Mapping the Ideological Marketplace." *American Journal of Political Science*.
- Wed Mar 24:* Discussion: Empirical Evidence on Representation
- i. Ansolabehere, Snyder, Stewart. 2001. "Candidate Positioning in U.S. House Elections." *American Journal of Political Science*.
 - ii. Snyder and Groseclose. 2000. "Estimating Party Influence in Congressional Role-Call Voting." *American Journal of Political Science*.
 - iii. McCarty, Poole, and Rosenthal. 2001. "The Hunt for Party Discipline in Congress." *American Political Science Review*.
 - iv. Lee, Moretti, and Butler. 2004. "Do Voters Affect or Elect Policies? Evidence from the U.S. House." *Quarterly Journal of Economics*.
- Mon Mar 29:* Discussion: Empirical Evidence on representation
- i. Levitt. 1996. "How do Senators Vote? Disentangling the Role of Voter Preferences, Party Affiliation, and Senator Ideology." *American Economic Review*.
 - ii. Chattopadhyay and Duflo. 2004. "Women as Policy Makers: Evidence from a Randomized Policy Experiment in India." *Econometrica*.
 - iii. Pettersson-Lidbom. 2008. "Do Parties Matter for Economic Outcomes? A Regression-Discontinuity Approach." *Journal of the European Economic Association*.
 - iv. Mian, Sufi, and Trebbi. 2010. "The Political Economy of the US Mortgage Default Crisis." *American Economic Review*.
- Problem Set 5 due 11:59pm**

IV. Electoral Control

Question: Can elections hold representatives accountable in theory? Do they in practice?

- Wed Mar 31:* The principle-agent model in a political setting
 Drazen, 2000. *Political Economy in Macroeconomics*, chapter 7 excerpts.
- Mon Apr 5* The Economic Vote and Political Business Cycles.
 Franzese. 2002. "Electoral and Partisan Cycles in Economic Policies and Outcomes." *Annual Review of Political Science*.
- Wed Apr 7:* Discussion: Empirical Evidence on Electoral Accountability

- i. Alt, Bueno-de-Mesquita, and Rose. 2011. "Disentangling Accountability and Competence in Elections: Evidence from US Term Limits." *Journal of Politics*.
- ii. Dal Bó and Rossi. 2011. "Term Length and the Effort of Politicians." *Review of Economic Studies*.
- iii. Healy and Malhotra. 2009. "Myopic Voters and natural Disaster Policy." *American Political Science Review*.
- iv. Bechtel and Hainmueller. 2011. "How Lasting is Voter Gratitude? An Analysis of the Short- and Long-Term Electoral Returns to Beneficial Policy." *American Journal of Political Science*.

Mon Apr 12:

Discussion: Empirical Evidence on Policy Cycles

- i. Akhmedov and Zhuravskaya. 2004. "Opportunistic Political Cycles: Test in a Young Democracy Setting." *Quarterly Journal of Economics*.
- ii. Alt and Lassen. 2006. "Transparency, Political Polarization, and Political Budget Cycles in OECD Countries." *American Journal of Political Science*.
- iii. Canes-Wrone and Park. 2012. "Electoral Business Cycles in OECD Countries." *American Political Science Review*.
- iv. Bertrand, Kramarz, Schoar, and Thesmar. 2018. "The Cost of Political Connections." *Review of Finance*.

V. Lobbying

Question: How do special interests influence elections and policies?

Wed Apr 14:

Informing Politicians

Gilligan and Krehbiel. 1987. "Collective Decision-Making and Standing Committees: An Informational Rationale for Restrictive Amendment Procedures." *Journal of Law Economics & Organization*.

Problem Set 6 due 11:59pm

Mon Apr 19:

Informing Voters

Baron. 1994. "Electoral Competition with Informed and Uninformed Voters." *American Political Science Review*.

Wed Apr 21:

Discussion: Empirical Evidence on Lobbying

- i. Bertrand, Bombardini, and Trebbi. 2014. "Is It Whom You Know or What You Know? An Empirical Assessment of the Lobbying Process." *American Economic Review*.
- ii. Blanes i Vidal, Draca, and Fons-Rosen. 2012. "Revolving Door Lobbyists." *American Economic Review*.
- iii. Richter, Samphantharak, and Timmons. 2009. "Lobbying and Taxes." *American Journal of Political Science*.
- iv. Hojnaki and Kimball. "Organized Interests and the Decision of Whom to Lobby in Congress." *American Political Science Review*.

VI. The Media

Question: How do voters form preferences? What is the role of the media?

Mon Apr 26:

Discussion: Empirical Evidence on Campaign Advertising

- i. Levitt. 1994. "Using Repeat Challengers to Estimate the Effect of Campaign Spending on Election Outcomes in the US House." *Journal of Political Economy*.
- ii. Huber and Arceneaux. 2007. "Identifying the Persuasive Effects of Presidential Advertising." *American Journal of Political Science*.
- iii. Gerber et al. 2011. "How Large and Long-Lasting are the Persuasive Effects of Televised Campaign Ads? Results from a Randomized Field Experiment." *American Political Science Review*.
- iv. Larreguy, Marshall, and Snyder. 2018. "Leveling the Playing Field: How Campaign Advertising Can Help Non-Dominant Parties." *Journal of the European Economic Association*.

Problem Set 7 due 11:59pm

Wed Apr 28:

Defining Media Bias

Mon May 3:

Modeling Endogenous Media Bias and Voter Inference

Gentzkow and Shapiro. 2006. "Media Bias and Reputation." *Journal of Political Economy*.

Wed May 5:

Discussion: Empirical Evidence on Media and Politics

- i. Stromborg. 2004. "Radio's Impact on Public Spending." *Quarterly Journal of Economics*.
- ii. Eisensee and Stromborg. 2007. "News Droughts, News Floods, and US Disaster Relief." *Quarterly Journal of Economics*.
- iii. Della Vigna and Kaplan. 2007. "The Fox News Effect: Media Bias and Voting." *Quarterly Journal of Economics*.
- iv. Snyder and Stromborg. 2010. "Press Coverage and Political Accountability." *Journal of Political Economy*.

Final Exam:

Registrar scheduled time: TBD.

