Economics 104 – Foundations of Political Economy
Spring 2020 Syllabus

Prof. Cameron Shelton
Bauer North 320
Office Hours: Mondays, 12-4pm.

Course | Lecture Time | Location | Final Exam
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Econ 104 | Tue/Thu 2:45-4:00 | BC23 | Wed May 13, 2:00-5:00pm

Textbook
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 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:

- 6 Problem Sets: 20%
- 2 Paper summaries: 10%
- Discussion participation: 10%
- Midterm 1: 15%
- Midterm 2: 15%
- 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
Several academic papers listed in the schedule below, available on Sakai.

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, typically one extending the model from class and another using data to test it. 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
Eight of our meetings are marked explicitly in the schedule below as discussion sessions. Each session has a list of papers to be discussed. Students will read, summarize, and orally present each of these papers. After the paper presentations, the class will discuss 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. 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 so as to be ready to participate in discussion. The presentations will serve to add depth and initiate conversation. I will explicitly discuss how to read papers and how to present well on Feb 6th, and I will give two examples on Feb 11th. Signups for the papers will open following this demonstration on Feb 12th.

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
All exams will be in-class, open notes. The dates can be found in the assignment schedule below. They 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 about the time and place of your exam 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.
Course Outline and Assignment Schedule

I. Collective Decision Making

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

**Tue Jan 21**  
Introduction, Syllabus, and the Condorcet Jury Theorem

**Thu Jan 23**  
The Condorcet Jury Theorem and extensions

**Tue Jan 28:**  
Arrow’s Impossibility Theorem and Median Voter Theorems  
Merlo, chapter 3

**Thu Jan 30:**  
The Downsian Model, Chaos Theorem, and Structure Induced Equilibrium  
Merlo, chapter 5.1  
**Problem Set 1 due 11:59pm**

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

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

**Tue Feb 4:**  
Redistribution: the Meltzer-Richard model  
Merlo, chapter 12

**Thu Feb 6:**  
Redistribution: the Meltzer-Richard model bis  
**Problem Set 2 due 11:59pm**

**Tue Feb 11:**  
Testing the model with relevant evidence on redistribution  

III. Representative Democracy: The Role of Political Parties

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

**Thu Feb 13:**  
Parties as Partisan Coalitions  
i. Merlo, chapter 6.2  
**Problem Set 3 due 11:59pm**

**Tue Feb 18:**  
Parties as Solutions to Collective Action  
*Aldrich, Why Parties? Chapter 2*

**Thu Feb 20:**  
No meeting: Professor out of town

**Tue Feb 25:**  
Parties as Informative Labels  
**Problem Set 4 due 11:59pm**

**Thu Feb 27:**  
First Midterm: Covers material through lecture of Feb 18th and PS3

**Tue Mar 3:**  
Inferring Spatial Positions of Representatives: DW-NOMINATE
Thu Mar 5: Discussion: Empirical Evidence on Representation

Tue Mar 10: Discussion: Empirical Evidence on Representation

IV. Electoral Control

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

Thu Mar 12: The principle-agent model in a political setting
Drazen, 2000. Political Economy in Macroeconomics, chapter 7

Tue Mar 17: No Lecture (Spring Break)

Thu Mar 19: No Lecture (Spring Break)

Tue Mar 24: The Economic Vote and Political Business Cycles.

Thu Mar 26: Discussion: Empirical Evidence on Electoral Accountability

Tue Mar 31: Discussion: Empirical Evidence on Policy Cycles


V. Lobbying

**Question: How do special interests influence elections and policies?**

**Thu Apr 2:** Informing Politicians


**Problem Set 5 due 11:59pm**

**Tue Apr 7:** Informing Voters


**Thu Apr 9:** Discussion: Empirical Evidence on Lobbying


**Tue Apr 14:** Second Midterm: Covers material through lecture of Apr 9th and PS5

**Thu Apr 16:** No meeting: Professor out of town

VI. The Media

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

**Tue Apr 21:** Discussion: Empirical Evidence on Campaign Advertising


**Problem Set 6 due 11:59pm**

**Thu Apr 23:** Endogenous Media Bias and Voter Inference


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Tue Apr 28: Discussion: Empirical Evidence on Media and Politics

Thu Apr 30: Discussion: Empirical Evidence on Media and Politics

Tue May 5: Review Session

Final Exam: Wed May 13, 2:00-5:00pm