Economic policy cannot be understood by economics alone and, to be successful, it must take the political game into account. This course starts by introducing the tools of social choice, and concludes by discussing recent research on political economics. We will (i) take a formal approach to collective choice problems, (ii) analyze voting and bargaining in politics, (iii) study games between politicians and voters, and (iv) compare political institutions as different rules of the game. Teaching is based on the books by Austen-Smith and Banks (1999, 2005) as well as recent research articles.

The grades will be based on the following requirements:
(i) 40%: Problem sets
(ii) 30%: Mid-term exam
(iii) 20%: Present one of the papers on the reading list (60 minutes)
(iv) 10%: Participation

The first half of the course is based on two books:
PPT1: Austen-Smith and Banks (1999): *Positive Political Theory I: Collective Preferences*
PPT2: Austen-Smith and Banks (2005): *Positive Political Theory II: Strategy and Structure*
In the second half, we will discuss one paper in depth in each lecture (thus, the syllabus leaves us with some flexibility), and some of these will be presented by you, pair wise.

18/1: Introduction (motivation and some toy-models of politics)

25/1 a: PPT1 Ch 1.1, 2.1-2.3 and 2.6 (aggregating preferences, impossibilities). Read also: May, Kenneth (1952): “A Set of Independent Necessary and Sufficient Conditions for Simple Majority Decision”, *Econometrica* 20 (4): 680-84. AND:
25/1 b: PPT1 Ch 3.1-3.3 (restricting outcomes; simple rules)

30/1: PPT1 Ch 4 (restricting preferences; single-peaked and order-restricted preferences)

1/2: Problem set 1 due (from PPT1: 1.1, 2.3, 3.2, 3.4, 4.1)
1/2 a: PPT1 Ch 5 (the spatial model) AND
1/2 b: PPT2 Ch 2.1-2.3 (strategies and strategy-proof collective choice functions)

6/2: Pablo Montagnes (the TA) discusses problem sets and other things you may struggle with
8/2 a: PPT2 Ch 4 (voting and binary agendas) AND
8/2 b: PPT2 Ch 6.1-6.3 (legislative bargaining)

13/2: Problem set 2 due (see email sent 2/8)
PPT2 Ch 7.1-7.2, 7.5-7.8 (elections)

15/2 a: A review and another perspective on bargaining and voting rules: Harstad (2008),
http://www.kellogg.northwestern.edu/faculty/harstad/htm/mrd.pdf
AND
15/2 b: Pablo Montagnes (the TA) discusses problem sets and other things you may struggle with

20/2: Midterm Exam (in class)

**Part II:** The last weeks are devoted to five different topics. Each class is emphasizing one paper, but
related articles will also be discussed. As a part of this, each student should select, prepare and present
one of the “*” papers below. Prepare this well, as if it were your job market paper, and aim at finishing
in 60 minutes, leaving some time for discussion. The “property right” of a paper is given to the first one
requesting to present this paper. If several of you want to present papers on a particular topic, we may
devote more time to this at the cost of another topic.

22/2: **Common Agency** (lobbying and rent-seeking)
833-50.

27/2: **Bureaucracies**
Acemoglu, Daron and Thierry Verdier (2000): “The Choice between Market Failures and
Economic Review
(4): 1289-1332.
Banks and Weingast (1992): “The political control of bureaucracies under asymmetric
of the European Economic Association 1: 1176-1206.
Besley and Ghatak (2005): “Competition and incentives with motivated agents”, American
Economic Review 95(3).
Dixit (1997): “Power of incentives in private versus public organizations”, American
Economic Review 87 (2), 378-82.
Maskin and Tirole (2004): “The politician and the judge: Accountability in government”,

29/2 a and b: **Comparative Institutions**

5/3 – 7/3: **Fiscal Federalism**
12/3: **Reforms and Transition**


