Political Economics

Instructor: Edoardo Grillo

Contact Information

Collegio Carlo Alberto
Telephone Number: +39 011 6705275
Office: 4 camerata I
Email: edoardo.grillo@carloalberto.org
Office Hours: TBA
Website: sites.google.com/site/edoardogrillo/

Description of the Course

Political economics is an interdisciplinary field that focuses on the interactions between political institutions, economic agents and legal systems. The primary goal of this course is to provide a formal and rigorous analysis of key topics in political economics and to provide answers to policy-relevant questions, such as:

- Under which conditions does a society that decides through majoritarian voting make coherent decisions?
- How does electoral competition affect taxation, public-good provision and other redistributive policies?
- How does bargaining power affect the allocation of a fixed surplus between two parties?
- How does the outcome of legislative bargaining change as we modify the bargaining protocol (closed vs. open amendment rule)?
- To what extent can lobbies affect politicians’ decisions in their own favor?

A secondary goal is to provide students with a tool-kit they can use to further advance their understanding of this field.

Course Outline

1. **Introduction** (½ class)

2. **Social Choice Theory** (2 and ½ class)
   2.1. Arrow’s impossibility theorem.
3. Electoral Competition and Voting (3 classes)
   3.1. Downsian electoral model.
   3.2. Probabilistic voting model.
   3.3. Partisan politicians and citizen-candidate models.

4. Redistribution and Electoral Competition (3 classes)
   4.1. Income-based redistribution: distortionary taxation and electoral incentives.
   4.2. Age-based redistribution: pension systems in a model with overlapping generations.
   4.3. Labor-based redistribution: unemployment benefits and labor market regulations.

5. Bargaining (2 classes)
   5.1. Bargaining between two agents: Rubinstein’s model.
   5.2. Legislative bargaining: Baron and Farejohn’s model.

6. Lobbying (2 classes)

7. Additional Topics (if time remains, we will cover some of these topics. Students are encouraged to suggest different topics)
   7.1. Political Transitions: Acemoglu and Robinson’s model.
   7.2. The Effect of the Electoral Rule on the Size of Government.
   7.3. The paradox of abstention: Palfrey and Rosenthal’s model.

References and Course Material

The essential references for each topic are listed below (additional, non-mandatory references may be suggested during the course).

2. Social Choice Theory

3. Electoral Competition
4. Redistribution


5. Bargaining


6. Lobbying


7. Additional Topics


Grading and Course Requirements

Your final grade will be a weighted average of problem sets (30%) and a final exam (70%).