

Political Economy

政治經濟學

Instructor: Pi-Han Christine Tsai
Class time: Thursday 567 13:20-16:20
Email: pihantsai@mx.nthu.edu.tw
Office hour of Tsai: Friday 1:30-2:30 or by appointment

1. Course Description

This course is an introductory class of political economy. Political economy broadly refers to apply the methodology of economics to analyze political behavior and institutions. The first half of the class introduces the analytical tools, and then focuses on voting theory. Some of the questions we will discuss in class are: why do people vote? what determines voters' voting behavior? what are the incentives of politicians? The second half of the class covers some important topics discussed by the political economists, for example, rent seeking, bureaucracy, and institutions. The last couple classes focus on the topics in non-democratic country, specifically China. We will discuss how political incentives shape China's economic and fiscal policies.

2. Grading Policy

Class Participation	20%
News Report	20%
Midterm Critical Report	30%
Final Debate Competition	30%

3. Course Requirements

- (1) Class Participation (20%): There will be three pop quizzes in class (10 points each). You can pick the highest two scores as part of your final participation credit. You are also encouraged to participate class discussion actively to get the extra credit.
- (2) News Report (20%): Present a recent news report in class. From week 2, each week we will have 2 or 3 groups of students to do a news report in class (about 15-20 minutes).
- (3) Critical Report (30%): Pick a public policy and write a short critical report. Apply the theory of political economy and use the analytical tools you have learnt in economic courses to analyze the pros and cons of the policy. The report is expected to be 3-5 pages (including all the figures, tables and references).
- (4) Final Debate Competition (30%)
 - (a) In class debate competition (20%)
 - (b) 1-2 pages experience report (10%)

4. Course Schedule

Introduction

Week 1: 2/22 Introduction

- What is political economy?
- Rationale for taking a political economy approach

* Barry R. Weingast and Donald A. Wittman (2006) *Introduction* in B.R. Weingast and D.A. Wittman (eds.) *The Oxford Handbook of Political Economy*, 2006, Oxford University Press.

*Besley, Tim (2004) “The New Political Economy.”

*Miller, Gary (1997) “The Impact of Economics on Contemporary Political Science.” *Journal of Economic Literature*: 1173-1204.

Week 2: 2/29 Tools of Positive Analysis and Normative Analysis

- Positive analysis and normative analysis

*Chap 2, *Intermediate Public Economics* by Jean Hindriks and Gareth D. Myles (2004)

*Chap 10, *Microeconomics: Theory and Applications with Calculus* by Jeffrey M. Perloff (2020)

Week 3: 3/7 Public Goods and Externalities

- Public Goods
- Externalities
- The Coase Theorem-Coase and property rights

*Chap 5 and 7, *Intermediate Public Economics* by Jean Hindriks and Gareth D. Myles (2004)

*Chap 17, *Microeconomics: Theory and Applications with Calculus* by Jeffrey M. Perloff (2020)

* Coase, Ronald (1960), “The Problem of Social Cost.” *Journal of Law and Economics*: 1-33.

Week 4: 3/14 invited speaker: TBA

The Logic of Collective Actions

Week 5: 3/21 The Logic of Collective Action

- The tragedy of commons
- Free-rider problem

*Olson, Mancur Jr. (1981). “The Logic of Collective Action.”

*Hardin, Garrett (1968), “The Tragedy of Commons.” *Science* 162: 1243-1248.

Voting and Influence

Week 6: 3/28 Voting Mechanisms

- Social Choice Theory
- Voting rules

*Chap 10, *Intermediate Public Economics* by Jean Hindriks and Gareth D. Myles (2004)

Week 7: 4/4 No class

Week 8: 4/11 Median Voter Theorem

- Median voter theorem
- Voting behavior: rational ignorance and rational nonparticipation

*Ansolabehere, Stephen (2006) *Voters, Candidates, and Parties* in B.R. Weingast and D.A. Wittman (eds.) *The Oxford Handbook of Political Economy*, 2006, Oxford University Press.

Week 9: 4/18 Political Business and Budget Cycle

* Drazen, Allan (2001) “The Political Business Cycle after 25 Years.” *NBER Macroeconomics Annual 2000*: 75–138.

* Hibbs, Douglas (1992) "Partisan Theory after Fifteen Years." *European Journal of Political Economy*, 8: 361-374.

Week 10: 4/25 Elites and Political Structure: Bureaucracy

- The budget-maximizing bureaucrat
 - Bureaucrats and politicians
- * Mueller, Dennis, "Public Choice III", chapter 16
- * Alesina, Alberto, and Guido Tabellini (2007) "Bureaucrats or Politicians? Part I: A Single Policy Task." *American Economic Review* 97(1): 169-179.
- * Weber, Max, "Bureaucracy", Ch. IX in *Economy and Society*, 1978, Berkeley, CA: University of California Press.

Week 11: 5/2 Institutions

- How are economic institutions determined?
 - Why do economic institutions vary across countries?
- * Acemoglu, Daron, Simon Johnson, and James Robinson (2004) "Institutions as the Fundamental Cause of Long-Run Growth."
- * Besley, Timothy and Anne Case (2000) "Political Institutions and Policy Choices: Evidence from the United States." *Journal of Economic Literature* 41: 7-73.
- * Weingast, Barry R. (1997) "The Political Foundations of Democracy and the Rule of Law." *American Political Science Review* 91: 245-263.

Topics in China

Week 12: 5/9 Introduction of China's Political and Fiscal Institutions

- Political institutions and political incentives
- Elections in China?
- Fiscal institutions and fiscal incentives of Chinese elites

Week 13: 5/16 Final Debate Competition

Week 14: 5/23 Final Debate Competition

Week 15: 5/30 Final Debate Competition

Week 16: 6/6 Final Debate Competition

Week 17: 6/13 Final Debate Competition, Final Meeting