

POLITICAL ECONOMY

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Course Material Developed by Department of Economics,

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Syllabus

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Course objectives:

Students should learn how methods of Economics can be used to analyse political phenomena. They should also practice their writing and quantitative skills. Students should acquire a realistic understanding of actions of actors in the sphere of politics and how institutions affect them. Didactically, students should be able to understand textbook chapters in English. Upon completing the course, students should be able compare the advantages and disadvantages of state and market, they should understand government failures as well as market failures. At their workplace, they should be able to productively work together with politicians and people with degrees in political science.

Topics covered:

We start by an introduction, a short excursion on the term “Political Economy” and Arrow’s Impossibility theorem and what it implies. We continue by presenting voting mechanisms, discussing Downs’ model and multiparty competition and the different solutions to the paradox of voting.

Thereafter we present models of rent seeking, bureaucracy and dictatorship, followed by a few applications like the links between macroeconomic policies and political competition, lobbying and theories and empirical results about the size of the state.

Set texts

- Mueller, Dennis C.: Public Choice III. Cambridge UP. 2003. (M)
- Cullis, John and Philip Jones: Public Finance and Public Choice: Analytical Perspectives. Third Ed. OUP 2009. (CJ)

Further reading

- Anthony Downs (1957) An Economic Theory of Political Action in a Democracy The Journal of Political Economy, Vol. 65
- Becker, Gary S. (1988): Public Policies, Pressure groups and Dead Weight Costs in George J. Stigler (Ed.): Chicago Studies in Political Economy, University of Chicago Press, Chicago 1988.
- Ferejohn, John and Fiorina, Morris P.(1974) The Paradox of Not Voting: A Decision Theoretic Analysis The American Political Science Review, Vol. 68
- Moe, Terry M. (1997) The Positive Theory of Bureaucracy in Mueller, Dennis C. (ed) (1997) Perspectives on Public Choice, Cambridge University Press
- Niskanen William A. (2001) Bureaucracy in William F. Shughart, A. Laura Razzolini (eds) (2001) The Elgar Companion to Public Choice, Aldershot, Elgar
- Nurmi, Hannu (1983) Voting Procedures: A Summary Analysis British Journal of Political Science, Vol. 13
- Peltzman, Sam 1976. Toward a more general theory of regulation NBER Working Paper Series No. 133, Stanford Olson, M. (1982): The rise and decline of nations, New Haven: Yale University Press
- Weingast, Barry R. (1997) The Political Foundations of democracy and the Rule of Law APSR Vol 91. No 2.
- Wintrobe, Ronald (1990) The Tinpot and the Totalitarian: An Economic Theory of Dictatorship The American Political Science Review, Vol. 84

Week-by-week:

Week 1: Introduction, Arrow's Impossibility Theorem and what follows from it

Week 2: The Choice of Voting Rule

Week 3 and 4: The Simple Majority Rule and its alternatives

Week 5: The Exit option and Federalism

Week 6: Two-party Competition

Week 7: Multiparty Competition, coalitions, stability, strategic voting

Week 8: The paradox of voting

Week 9: Rent seeking

Week 10: Bureaucracy

Week 11: Dictatorship

Week 12: Applications: Macroeconomic Performance, Money and Votes

Week 13: Applications: The size of government and economic performance + Summary