



**ESPS 0015  
Political Economy**

<b>Lecturer:</b>	Dr Roland Kappe
<b>Office Hours:</b>	Thursdays 2pm-4pm, or by appointment Room 2.01 - School of Public Policy (29/31 Tavistock Square)
<b>Teaching:</b>	10 hours of lectures, 10 hours of seminars
<b>Credits:</b>	0.5 Course Units/ 4 US Credits/ 7.5 ECTS Credits
<b>Assessment:</b>	One 4,000 word essay
<b>Essay Deadlines:</b>	Monday, 27 April 2020, 12 noon
<b>Attendance:</b>	attendance is compulsory at all lectures and seminars for which students are timetabled. Attendance will be monitored and no student will be entered for assessment unless they have attended and pursued the module to the satisfaction of the department.

**Useful Links**

**Lecture and Seminar Times:**

Online Timetable at [www.ucl.ac.uk/timetable](http://www.ucl.ac.uk/timetable)

**Plagiarism and TurnItIn**

<http://www.ucl.ac.uk/current-students/guidelines/policies/plagiarism>

<http://www.ucl.ac.uk/Library/CitationPlagiarism.doc>

**Course Content**

The goal of this course is to familiarize students with important concepts and models in Political Economy. The course starts with basic ideas about social organization: why live in an organized state, cooperation, collective action and the provision of public goods and then focuses on problems of social choice, and provides an introduction to spatial models of political competition followed by fundamental ideas about institutions and institutional change. After these foundations, the focus shifts towards democratic institutions with a quick tour through basic ideas and problems of legislative organization, intergovernmental relations, veto player theory and an analysis of electoral rules and party systems. The last part looks at problems of delegation and the interplay of politics and the macro-economy on the national and international level.

By the end of the course, students will have gained a basic understanding of major theoretical models in political economy. Students will also have learned a set of analytical tools that will aid in their understanding of politics and economic policy.

## Lectures and seminars

Each week there will be an introductory lecture followed by a seminar. The lectures will introduce students to the core ideas and issues relating to the topic of the week. The seminars will provide a forum for more focussed discussion.

## Assessment

The course is assessed on the basis of one essay. You must submit your essay electronically via moodle. Please see moodle for more information.

Plagiarism is taken extremely seriously and can disqualify you from the course (for details of what constitutes plagiarism see <http://www.ucl.ac.uk/current-students/study/plagiarism/>). If you are in doubt about any of this, ask the tutor.

## Essay Structure:

For this class, you are asked to write an original research paper. The first step is to come up with an interesting research question relating to the theories discussed in class or in the wider field of political economy. This can be an empirical puzzle, a theory applied to a specific context, or testing an implication of an existing model. **The specific question/topic will be chosen in consultation with the tutor.**

In a second step, students will research the relevant literature pertaining to their specific research question, and come up with a clear theoretical model of their chosen problem. From this theoretical model, an empirically testable hypothesis will be derived. This will usually take the form of a cause-effect relationship relating some independent variable to a dependent variable.

The third step is to empirically test the hypothesis, which will require students to think about operationalization and measurement of their variables, and questions of data collection (this will in general be done using existing cross-national or individual-level data, from publicly available sources, **and in consultation with and with the help of the tutor**). Once the data are in hand, a data analysis appropriate to the data structure (and taking into account student skills and training) will be conducted to provide a test of the hypothesis. **Basic skills for carrying out a simple analysis will be taught in the seminars during the second half of the class.**

The essay will follow the standard structure of research papers in political science and economics, starting with an introduction, a section detailing the theory (or the model) and providing a clearly defined hypothesis, followed by a section on the data to be used, covering operationalization, measurement and collection/data-sources, and a section detailing the data analysis and reporting the results, and a conclusion discussing limitations of the study.

## Reading for the course

To prepare for the class you should read the required readings listed below. Additional background readings for presentations and essays may be provided during the course. The first part of the class uses most chapters from

**Shepsle, K. & Bonchek, M. (1997). *Analyzing Politics: Rationality, Behavior, and Institutions*. New York: Norton**

which should be purchased or borrowed from the library. There is a more recent (2010) second edition, which is practically identical, so you can use either version. If you are buying the book, I would recommend picking whichever is cheaper.

## Course Outline:

### 1. **Cooperation** (*Cooperation and the 'State of Nature' as a Prisoners' Dilemma, Game Theory: Solving Strategic Form Games, Nash-Equilibrium*)

#### Required Reading

- Analyzing Politics: Chapter 8
- Gibbons, R. (1997). An Introduction to Applicable Game Theory. *The Journal of Economic Perspectives*, 11(1), **PAGES 127-133**.

#### Further reading and additional resources

- Khan Academy video on Prisoners' Dilemma and Nash Equilibrium:  
<https://www.khanacademy.org/economics-finance-domain/microeconomics/nash-equilibrium-tutorial/nash-eg-tutorial/v/prisoners-dilemma-and-nash-equilibrium>
- Henrich, J. P. (Ed.). (2004). *Foundations of human sociality: Economic experiments and ethnographic evidence from fifteen small-scale societies*. Oxford University Press.
- Axelrod R. (1984). *The Evolution of Cooperation*. New York: Basic Books.
- Nowak, M. A. (2006). "Five rules for the evolution of cooperation." *Science*, 314(5805), 1560-1563.
- Bowles, S. & Gintis, H. (2006), 'The Evolutionary Basis of Collective Action', In: Weingast & Wittman, Editors: *The Oxford Handbook of Political Economy*. Oxford University Press. Ch. 53
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### 2. **Institutions** (*External enforcement as a solution to the problem of cooperation, Institutions as Equilibria, Institutional Change, Game Theory: Solving Extensive Form Games*)

#### Required Reading

- Analyzing Politics: Chapters 8, 9 and 10
- Gibbons, R. (1997). An Introduction to Applicable Game Theory. *The Journal of Economic Perspectives*, 11(1), **PAGES 133-137**.

#### Further Reading

- Tilly, C. (1985). "War making and state making as organized crime". *Violence: A reader*, 35-60.
- Olson, M. (1993). 'Dictatorship, democracy, and development', *American Political Science Review*, 567-576.
- Acemoglu, D. & Robinson, J. (2001) 'The Colonial Origins of Comparative Development: An Empirical Investigation'. *American Economic Review* 91(5):1369-1401.
- Miller, G. & Hammond, T. (1994), 'Why Politics is More Fundamental Than Economics', *Journal of Theoretical Politics* 6(1), 5--26.
- Falaschetti, D. & Miller, G. (2001), 'Constraining Leviathan', *Journal of Theoretical Politics* 13(4), 389-411
- North, D. (1990). *Institutions, Institutional Change and Economic Performance*. New York, N.Y.: Cambridge University Press. Chapters 1-8.
- Leach, Darcy. (2015). Oligarchy, Iron Law of. 10.1016/B978-0-08-097086-8.93083-6.

### 3. **Social Choice** (*Rationality, Voting, Condorcet's Paradox, Agenda-Setting, Alternative Voting Mechanisms, Arrow's Impossibility Theorem,*)

#### Required Reading

- Analyzing Politics: Chapters 2, 3, 4, 7

**4. Spatial Models of Political Competition** (*Single-peaked preferences, Median-Voter Theorem, multidimensional models and multiparty competition, Agent-based models of party competition*)

Required Reading

- Analyzing Politics: Chapter 5
- Grofman, B. (2004), 'Downs and two-party convergence', *Annual Rev. Political Science* 7, 25--46.

Further Reading:

- Downs, A. (1957). *An Economic Theory of Democracy*. Harper.
- Laver, Michael. "Policy and the dynamics of political competition." *American Political Science Review* 99.2 (2005): 263-281.

**5. Inequality and Redistribution** (*Meltzer-Richard Model, inequality, size of government, structure of the research process, research design*)

Required Reading

- Meltzer, A. & Richard, S. (1981), 'A rational theory of the size of government', *The Journal of Political Economy*, 914--927.

Further Reading

- Alesina, A. & Glaeser, E. (2004), *Fighting poverty in the US and Europe: A world of difference*, Oxford: Oxford University Press. Chapter 3
- Bonica, Adam, Nolan McCarty, Keith T. Poole, and Howard Rosenthal. "Why hasn't democracy slowed rising inequality?." *Journal of Economic Perspectives* 27, no. 3 (2013): 103-24.
- Corak, M. (2013). Income inequality, equality of opportunity, and intergenerational mobility. *Journal of Economic Perspectives*, 27(3), 79-102.
- Iversen, T. (2012), 'Democracy and Capitalism', In: Castles, F.G., Leibfried, S., Lewis, J., Obinger, H. & Pierson, C. (Editors), *The Oxford Handbook of the Welfare State*. Oxford: Oxford University Press, Chapter 12
- Munger, Michael C. (2000) *Analyzing Policy: Choices, Conflicts and Practices*. New York: W.W. Norton. Chapters 3 and 4
- Hall, P. & Soskice, D. (2001), *Varieties of capitalism: the institutional foundations of comparative advantage*, Oxford: Oxford University Press. Chapter 1

Reading week – research design due

**6. Economic effects of political institutions** (*The economic effects of constitutions, electoral systems, institutionalist theories of politics*)

Required Reading

- Iversen, T., & Soskice, D. (2006). Electoral institutions and the politics of coalitions: Why some democracies redistribute more than others. *American Political Science Review*, 100(2), 165-181.
- Persson, Torsten, and Guido Tabellini. "Constitutions and economic policy." *The Journal of Economic Perspectives* 18.1 (2004): 75-98.

- Stratmann, T., & Baur, M. (2002). Plurality rule, proportional representation, and the German Bundestag: How incentives to pork-barrel differ across electoral systems. *American Journal of Political Science*, 506-514.

#### Further Reading

- Analyzing Politics: Chapter 7
- Clark, William Roberts, and Matt Golder. "Rehabilitating duverger's theory testing the mechanical and strategic modifying effects of electoral laws." *Comparative Political Studies* 39.6 (2006): 679-708.
- Hibbs, D. (1977), 'Political parties and macroeconomic policy', *American Political Science Review*, 1467--1487.
- Maaser, N., & Stratmann, T. (2018). Election rules, legislators' incentives, and policy outcomes: Evidence from the mixed member system in Germany. *European Journal of Political Economy*, 54, 227-239.
- Sieberer, U. (2010). Behavioral consequences of mixed electoral systems: Deviating voting behavior of district and list MPs in the German Bundestag. *Electoral Studies*, 29(3), 484-496.
- Analyzing Politics: Chapter 7
- Persson, T., & Tabellini, G. (2005). *The economic effects of constitutions*. MIT Press.
- Lijphart, A. (1999), *Patterns of Democracy: Government Forms and Performance in Thirty-Six Countries*, Yale University Press.
- Grofman, B.. (2006), 'The Impact of Electoral Laws on Political Parties', In: Weingast & Wittman, Editors: *The Oxford Handbook of Political Economy*. Oxford University Press. Ch. 6
- Diermeier, Daniel, and Keith Krehbiel. "Institutionalism as a Methodology." *Journal of Theoretical Politics* 15.2 (2003): 123-144.

### 7. **Legislatures and coalition formation** (*Industrial Organization of Legislatures, Parliaments in Comparative Perspective, coalition formation*)

#### Required Reading

- Analyzing Politics: Chapters 11, 12 and 16

#### Further Reading

- Laver, M. (2006), 'Legislatures and Parliaments in Comparative Context', In: Weingast & Wittman, Editors: *The Oxford Handbook of Political Economy*. Oxford University Press. Ch. 7, see also Ch 8 and 9

### 8. **Veto Player Models** (*Parliamentary and Presidential Systems, Veto-Players, Delegation*)

#### Required Reading

- Tsebelis, G. (1995), 'Decision making in political systems: Veto players in presidentialism, parliamentarism, multicameralism and multipartyism', *British Journal of Political Science* 25(03), 289--325.
- Tsebelis, G. & Chang, E. (2004), 'Veto players and the structure of budgets in advanced industrialized countries', *European Journal of Political Research* 43(3), 449--476.

#### Further Reading

- Hallerberg, Mark, and Scott Basinger. "Internationalization and Changes in Tax Policy in OECD Countries The Importance of Domestic Veto Players." *Comparative Political Studies* 31.3 (1998): 321-352.

- Henisz, Witold J. "The institutional environment for economic growth." *Economics & Politics* 12.1 (2000): 1-31.
- Treisman, Daniel. "Decentralization and inflation: Commitment, collective action, or continuity." *American Political Science Review* (2000): 837-857.

## 9. Economic Voting

### Required Reading

- Hibbs, D. A. (2018) The Bread and Peace Model, read on <http://douglas-hibbs.com/>
- Lewis-Beck, M. S., & Stegmaier, M. (2019). Economic voting. *The Oxford Handbook of Public Choice*, 1, 247-265.
- Analyzing Politics: Chapter 13

### Further Reading

- Kappe, R. (2018). Asymmetric evaluations: Government popularity and economic performance in the United Kingdom. *Electoral Studies*, 53, 133-138.
- Fetzer, T. (2019). Did austerity cause Brexit?. *American Economic Review*, 109(11), 3849-86.

## 10. Research Seminar (*Student presentations of research designs/papers*)