

# MSc Course Outline

## Political Economy – EC5060

**Course Leader – Cecilia Testa**

**Spring Term – 20 credits**

**Version 1.0**

### **AIMS**

This course is designed as an introduction to Political Economy which is the application of economic methods to understand political phenomena and, in particular, how economic policies are selected in the political process. The student will learn the analytical method of political economy, focussing on the modelling of voters and politicians' behaviours, to understand the incentives and constraints faced by politicians when choosing public policies and the role played by different institutional arrangements on electoral accountability and public decision making.

### **LEARNING OUTCOMES**

- Understand and apply the median voter theorem and the role of its hypothesis to answer when it fails. Apply this basic tool to understand the choice of redistributive policies and taxation.
- Understand how politicians are selected.
- Understand the limits of power in modern institutions and the basic trade-off faced by members of these institutions.

### **COURSE DELIVERY**

One 2-hour lecture per week and one 1-hour seminar each week, for 10 weeks.

Course outline, lecture notes, problem sets, and readings will appear on Moodle.

### **ASSESSMENT**

- One take-home problem set contributing 10% to the final mark and one 1-hour test contributing 15% to the final mark.
- One 2-hour examination to take place during the summer term, contributing 75% to the final mark. The exam will test your knowledge and understanding of the material covered in the course; your ability to manipulate diagrammatic and algebraic versions of the models you have learned; your ability to apply models to

'real' economic situations; your ability to critically appraise models and their application.

Dates for tests and coursework hand-in deadlines can be found in the Departmental Student Handbook and on the Economics Department Website.

## **Reading**

The course will draw on selected chapters from the following textbooks. Additional readings, in the form of articles, will be provided as class material.

## **Textbooks**

Besley, Timothy, *Principled Agents? The Political Economy of Good Government*, Oxford University Press, 2007

Shepsle, Kenneth and Mark Bonchek, *Analyzing politics: rationality, behaviour and institutions*, Northon, 1997

Persson, Torsten and Guido Tabellini, *Political Economics, explaining Economic Policy*, MIT Press, 2002

Persson, Torsten and Guido Tabellini, *The Economics Effects of Constitutions?* MIT Press, 2003

## **WEEKLY TIMETABLE**

### **Week 1-3:**

Introduction to public choice, median voter theorem, basic models of electoral competition, redistributive politics, probabilistic voting.

### **Week 4-5**

Political polarization, partisan politics and distributive politics

### **Week 6-8:**

Government failure, accountability, agency in politics, and how democracy keeps politicians in line

### **Week 9-10:**

Comparative politics, institutions and public decision making