ECON543
Political Institutes and Economic Development
Module 4, 2015-2016

Course Information

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Office Hour: Monday 15:30-17:30 or by appointment

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Phone:
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Classes:
Lectures: Monday & Thursday 1:30-3:20pm
Venue: PHBS Building, Room 229

1. Course Description

1.1 Context

Course overview:
This class provides an introduction to theoretical analysis on the political economics. Basic economic theories are proposed for rigorously analyzing political decisions of various policies which eventually affects development and economic growth of the society. This course aims to cover not only some basic analytical tools of political economics but also the intuition behind them. By analyzing how society decides economic policies that pave different paths of social development, this course can serve to address following questions. What are political institutions around the world and how do they affect policy making? How politics can affect economic development? Why do governments employ policies that hinder development? What accounts for political accountability? Knowledge of basic microeconomic analysis is necessary (prerequisite) and that of game theory is recommended.

1.2 Textbooks and Reading Materials

Textbook
"Political Economics: Explaining Economic Policy" by Torsten Persson and Guido Enrico Tabellini, MIT Press

"The Economic Effects of Constitution" by Torsten Persson and Guido Enrico Tabellini, MIT Press

2. Learning Outcomes

2.1 Intended Learning Outcomes

Learning Goals	Objectives	Assessment
1. Our graduates will be effective communicators.	1.1. Our students will produce quality business and research-oriented documents.	
	1.2. Students are able to professionally present their ideas and also logically explain and defend their argument.	
2. Our graduates will be skilled in team work and leadership.	2.1. Students will be able to lead and participate in group for projects, discussion, and presentation.	
	2.2. Students will be able to apply leadership theories and related skills.	
3. Our graduates will be trained in ethics.	3.1. In a case setting, students will use appropriate techniques to analyze business problems and identify the ethical aspects, provide a solution and defend it.	
	3.2. Our students will practice ethics in the duration of the program.	
4. Our graduates will have a global perspective.	4.1. Students will have an international exposure.	
5. Our graduates will be skilled in problem-solving and critical thinking.	5.1. Our students will have a good understanding of fundamental theories in their fields.	
	5.2. Our students will be prepared to face problems in various business settings and find solutions.	
	5.3. Our students will demonstrate competency in critical thinking.	

2.2 Course specific objectives

2.3 Assessment/Grading Details

Assessment task	Weighting	Due date
Class participation/attitude	10%	Every class
Problem sets	30%	TBA
Exam	35%	June 16th
Presentation (Team Project)	25%	Last week of the class
Total	100%	

Two problem sets will be assigned (before and after the exam). The first problem set weighs 15% and the second problem set does 15%. Submission after the announced deadline is graded as zero. The first problem set will be assigned as homework. The second problem set can be either homework or replaced with in class quiz instead of solving in home.

Exam will be held at June 16th Thursday in the class (1:30-3:20pm). For the sake of fair grading by testing with the exactly equal written exam (which weighs most among others), no exception for the examination date is allowed. If you have time conflict, then not-taking this course is strongly recommended.

Presentation (Team Project):
Instead of taking a written final exam, how well you understand overall class materials will be tested by a team project on an application of what is discussed in the class via 30 minutes' presentation in the last week of the 4nd module. At most, by 23th of May, each team should be formed and list of team members should be submitted.

As long as relevant to the class, each team is free to choose the content of the presentation. Some examples will be offered in the middle of class, for reference.

By the 16th of June, short proposal of the presentation (up to seven pages) is to be submitted. The presentation has to have clear research question, concrete research method, and accurate sources. The outcome should be original not copy other's work. As a penalty for plagiarism, both the grade for team project (25%) and the grade for class participation (10%) will be zero. At the presentation in the last week of this module, each team should submit both the presentation slide (submission of the term paper is optional) and detailed document about each student's contribution (which part you did for presentation) for the sake of fair grading.

2.4 Academic Honesty and Plagiarism

It is important for a student's effort and credit to be recognized through class assessment. Credits earned for a student work due to efforts done by others are clearly unfair. Deliberate dishonesty is considered academic misconducts, which include plagiarism; cheating on assignments or examinations; engaging in unauthorized collaboration on academic work; taking, acquiring, or using test materials without faculty permission; submitting false or incomplete records of academic achievement; acting alone or in cooperation with another to falsify records or to obtain dishonestly grades, honors, awards, or professional endorsement; or altering, forging, or misusing a University academic record; or fabricating or falsifying of data, research procedures, or data analysis.

All assessments are subject to academic misconduct check. Misconduct check may include reproducing the assessment, providing a copy to another member of faculty, and/or communicate a copy of this assignment to the PHBS Discipline Committee. A suspected plagiarized document/assignment submitted to a plagiarism checking service may be kept in its database for future reference purpose.

Where violation is suspected, penalties will be implemented. The penalties for academic misconduct may include: deduction of honour points, a mark of zero on the assessment, a fail grade for the whole course, and reference of the matter to the Peking University Registrar.

For more information of plagiarism, please refer to *PHBS Student Handbook*.

3. Topics & Teaching Schedule

Schedule	Topics	Lectures
1.	Introduction of the Course	Logistics, Scope and aim of the course; Overview of the course, Motivation, and Basic concepts.
2.	Basic Frameworks for Analyzing Political Decision of Policy [Chapter 2]	How individuals' preference is aggregated to reach a social choice of economic policies? Existence of equilibrium choice of society, Median voter theorem, Impossibility theorem
3.	Policy Choices via Political	Various models of selecting representative in electoral competitions, Downsian electoral

	Competition [Chapter 3& Chapter 5]	competition, Probabilistic voting model, Policy convergence and divergence, Lobbying model
4.	Electoral Rules and Accountability of Politicians [Chapter 9 & Chapter 4]	Electoral rules and career concerns and accountability, Local election vs. national election, Majoritarian election vs. proportional election, Separation of powers with fully discretionary politicians
5.	Policy Choices by Legislature and Political Regimes [Chapter 10]	When several politicians decide on policy in legislative bargaining (separation of powers), how policies are selected in the face of election, Police choices in a simple legislature, Presidential-congressional regime, Parliamentary regime
6.	Political Decision of Redistributive Policies [Chapter 6]	Applying theoretical frameworks of political decision makings, Public pension, Redistribution across different regions, Policy decision on unemployment insurance
7.	Political Economy of Economic Growth [Chapter 14]	Theoretical analysis on political choices affecting income inequality and political instability and who they affect economic growth Income inequality and growth, Political instability and growth, Special interests, rents, and growth, Other political determinants of growth
8.	Political Economy of Change in Economic System (Transition to Market Economy)	Key factors underlying the economic transitions, Big bang approach and gradualism
9.	Case studies (Applications): presentations	

4. Reading Assignments

Acemoglu, Daron (2010) "Theory, general equilibrium, and political economy in development economics" Journal of Economic Perspectives, 24 (3) pp.17–32

Baron, D. (1994) "Electoral competition with informed and uninformed voters," American Political Science Review, 88: pp.33-47.

Barro, Robert (1973) "The control of politicians: an economic model." Public Choice, 14: pp.19-42

Beck, Thorsten and Luc Laeven (2005) "Institution building and growth in transition economies" World Bank Policy Research Working Paper 3657, July 2005

Besley, T., and Coate, S. (1997) "An economic model of representative democracy," Quarterly Journal of Economics, 112: pp.85-114

Black, D. (1948) "On the rationale of group decision making," Journal of Political Economy, 54: pp.249–271

Buchanan, J. M., and Faith, R. L. (1987) "Secession and the limits of taxation: Toward a theory of internal exit," American Economic Review, 77: pp.1023-1031

Diermeier, D and Feddersen, T. (1998) "Cohesion in legislatures and the vote of confidence procedure." American Political Science Review, 92: pp.611-621

European Bank for Reconstruction and Development (EBRD). (2000), Transition Report 2000. London: EBRD.

Fidrmuc, Jan (2000), "Economics of Voting in Post-communist Countries," Electoral Studies 19 (2/3), Special Issue: Economics and Elections, pp.199-217.

Ferejohn, J. (1986) "Incumbent performance and electoral control," Public Choice, 50: pp.5-26

Fernandez, Raquel and Rodrik, Dani (1991) "Resistance to Reform: Status Quo Bias in the Presence of Individual-Specific Uncertainty" American Economic Review, 81 (5): pp.1146-1155

Gerring, John, Strom C. Thacker, and Carola Moreno (2009) "Are parliamentary systems better?" Comparative Political Studies, 42(3): pp.327-359

Hellman, Joel S. (1998), "Winners Take All: The Politics of Partial Reform in Pos-tcommunist Transitions," World Politics 50:pp.203-234.

Holmstrom, B. (1982) "Managerial incentive problems – a dynamic perspective." Review of Economic Studies 66: pp.169-182

Iradian, Garbis (2007) "Rapid Growth in Transition Economies: Growth-Accounting Approach" IMF Working paper 164

Huber, John. (1996) "The vote of confidence in parliamentary democracies." American Political Science Review, 90(2): pp.269-282

Keeper, Philip (2004) "What does political economy tell us about economic development—and vice versa?" Annual Review of Political Science 7:pp.247–72

Klaus Deininger and Lyn Squire (1997) "Economic growth and income inequality: reexamining the links," Finance & Development March: pp.38-41

Lindbeck, A and Weibull J. (1987) "Balance-budget redistribution as the outcome of political competition," Public Choice, 52: pp.273-297

Mauro, Paolo (1995) "Corruption and growth," The Quarterly Journal of Economics, 110(3) pp. 681-712

Meltzer A. and Richard S. (1981) "A rational theory of the size of government," Journal of Political Economy, 89: pp.914-927

Priscilla T. Y. Man amd Shino Takayama (2013) "A unifying impossibility theorem," Economic Theory 54: pp.249–271

Saint-Paul G. (1996) "Exploring the political economy of labor market institution," Economic Policy, 23: pp.265-315.