



ECO 356
Special Topics in Economics
Political Economy
Spring 2019

Days and Time: Mondays and Wednesdays 5:30-6:50 pm.

Room: Melville Lbr. W 4540

Instructor

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Course website: <https://blackboard.stonybrook.edu/>

Office Hours: Tuesdays 3:00pm to 4:00pm & Wednesdays 3:00pm to 4:00pm,
and by appointment.

Office room: SBS building N645.

COURSE SYLLABUS

Course Description: In this course, we will analyze different environments where a group of individuals (voters, legislators, committee members, a board of directors, among others) collectively make binding choices following a predetermined set of rules or institutional arrangements (e.g., elections, deliberations, bargaining). We will follow a positive approach to analyze how these different institutional mechanisms affect the collective choices. We will follow a normative approach to analyze whether these decision rules satisfy some desirable properties. Finally, we will discuss special topics such as partisan politics, bureaucracies, interest groups, campaign contributions, and lobbying among others. No mathematical knowledge beyond what is typically taught in high school is required. However, some willingness towards abstract and logical thinking is essential for this class. Throughout this course we will use concepts of co-operative and non-cooperative game theory that will be introduced as needed. It is great having you on board!

Learning Objectives: After you complete this class you will be able to

1. Identify situations calling for collective choices.
2. Analyze alternative collective choice mechanisms.
3. Analyze alternative collective choice mechanisms.
4. Formulate mathematical models and apply economic tools to policy relevant questions.

Recommended References:

We will not follow any particular textbook. Lecture notes will be available on the Blackboard's course website, so if you come to class and take notes, you will have the material you need to succeed in the class. Good references for some of the topics we will discuss are:

Game Theory and Politics by Steven J. Brams, Dover Publications; (2003), ISBN 978-0-486434971.

Collective Action and Exchange: A Game-Theoretic Approach to Contemporary Political Economy by William D. Ferguson, Stanford University Press; (2013), ISBN 978-0-804770040.

Public Choice III by Dennis C. Mueller, Cambridge University Press; 3 edition (2003), ISBN-13: 978-0-521815468.

Mathematics and Politics: Strategy, Voting, Power and Proof by Alan D. Taylor and Allison M. Pacelli, Second Edition, Springer (2008), ISBN: 978-0-387776439.

Additional readings will be available through the website.

Statement about Course Delivery/Modality:

By signing up for this course you have accepted the responsibility of being an active learner and of participating in the classroom discussion. More importantly, you need to be committed to learning the subject matter. If you are not open to new ideas, or if you are not committed, expect your grade to reflect this. Moreover, your continued enrollment in this course means that you accept these responsibilities and are aware of the guidelines set forth in the syllabus.

This is a hands-on course in political economy; we will not only learn about about theoretical models but we will also work on problems and discuss applications in class. Occasionally, you will have the chance to participate in in-class experiments and demonstrations in the same way subjects participate in the lab. You are expected to engage in these activities, and your grade will depend on your involvement. In my experience, actively participating in these demonstrations significantly improves learning.

Please, note that since your final grade also depends on class participation, this course is denitely **NOT** for you if you anticipate you will miss several classes.

Grading Policy:

Your grade in this class will be based on your performance in 5 quizzes, two exams, and on class participation. Quizzes will account for 20% of your grade, each exam will account for 35% of your grade, and class participation will account for 10% of your grade.

Quizzes (20 points): You will have 8 graded quizzes. Quizzes will be open notes problems or questions for you to solve or respond at the end of the class. For your final grade I will only consider the best 5 of your quizzes' scores (the lowest 3 quizzes scores will not count towards your final grade). I will announce each quiz date in class. There will be **NO** makeup quizzes; to complete quizzes you *must* be in class.

Exams (70 points): There will be three exams in this class: two midterm exams and a final. **ONLY** your best two exam grades will count towards your final grade (your lowest exam grade will be dropped). Midterm exams are **NOT** cumulative. The final exam **IS** cumulative and will include everything covered in class. After grading your second exam I will post provisional final grades so you can decide whether to take the final for the chance to improve your grade or to keep your provisional final grade. Since your lowest exam grade is dropped, there will be **NO** makeup exams.

In-class activity participation (10 points): It goes without saying that in order to participate in these activities, you must be in class. However, being in class is not enough. You must also be ready to answer questions regarding the activity you are participating in, or regarding the class discussion. There will be several activities during the semester and they may or may not be announced in advance. At the end of the semester your activity participation points will depend on the number of activities you have participated in. For example, if we perform 6 in-class activities but you participated only in 3 of them, you will receive $10 \times 0.5 = 5$ points.

Letter Grade Distribution:

≥ 93.00	A	73.00 - 76.99	C
90.00 - 92.99	A-	70.00 - 72.99	C-
87.00 - 89.99	B+	67.00 - 69.99	D+
83.00 - 86.99	B	60.00 - 66.99	D
80.00 - 82.99	B-	≤ 59.99	F
77.00 - 79.99	C+		

Important Dates: Please take note of the following important dates

Important Dates:

Monday, March 11 th , in class.	Midterm I.
Wednesday, May 8 th , in class.	Midterm II.
Wednesday, May 15 th , 8:30-11:00 PM.	Final Exam.

Tentative Course Outline:

Week	Content
Weeks 1-2	<p style="text-align: center;">Introduction to Political Economy</p> <ul style="list-style-type: none"> • Economics, Political Science, and Political Economy. • Economic Modeling, Positive and Normative Approaches. • Pareto Efficiency and Market Failure. The Emergence of the State. • Tools of Political Economy.
Weeks 3-4	<p style="text-align: center;">Collective Choice: Efficiency and Redistribution</p> <ul style="list-style-type: none"> • Public Goods and Prisoners Dilemmas. • Public Goods, Coordination and Chicken Games. • Externalities and the Coase Theorem. • Redistribution and Efficiency. • Redistribution and Fairness. • Evidence and Applications.
Weeks 5-6	<p style="text-align: center;">Social Choice</p> <ul style="list-style-type: none"> • Unanimity Rule. • Majority Rule, Positive and Normative Properties. • Alternative Voting Procedures. • Social Welfare Functions and Arrow's Impossibility Theorem. • Evidence and Applications.
Weeks 7-9	<p style="text-align: center;">Political Power</p> <ul style="list-style-type: none"> • Cardinal vs. Ordinal Indexes of Power. • Shapley-Shubik Index of Power. • Banzhaf Index of Power. • Johnston Index of Power. • Deegan- Packel Index of Power. • Evidence and Applications.
Weeks 10-11	<p style="text-align: center;">Representative Democracies</p> <ul style="list-style-type: none"> • Issues in Two-party Competition. • Issues in Multi-party Competition. • Rent Seeking and Lobbying. • Interests Groups and Campaign Contributions. • Evidence and Applications.
Weeks 12-14	<p style="text-align: center;">Special Topics in Political Economy</p> <ul style="list-style-type: none"> • Fairness and Fair Procedures. • Social Networks and Collective Action. • Polarization and Media. • Evidence and Applications.

Critical Incident Management: Stony Brook University expects students to respect the rights, privileges, and property of other people. Faculty are required to report to the Office of Judicial Affairs any disruptive behavior that interrupts their ability to teach, compromises the safety of the learning environment, or inhibits students' ability to learn. Faculty in the HSC Schools and the School of Medicine are required to follow their school-specific procedures.

Disabilities Support Services (DSS) Statement: If you have a physical, psychological, medical or learning disability that may impact your course work, please contact Disability Support Services, ECC (Educational Communications Center) Building, room128, (631) 632-6748. They will determine with you what accommodations, if any, are necessary and appropriate. All information and documentation is confidential.

Students who require assistance during emergency evacuation are encouraged to discuss their needs with their professors and Disability Support Services. For procedures and information go to the following website: <http://www.stonybrook.edu/ehs/fire/disabilities>.

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Valid Excuses: During the course many possible events may occur that would result in your inability to complete your assignments or perform at a minimally acceptable level during an examination. Illness or injury, family emergencies, certain University-approved curricular and extra-curricular activities, and religious holidays can be legitimate reasons to miss to be excused from a scheduled examination. If you have a valid excuse, please discuss it with your instructor as soon as possible.

Disclaimer: Any change in the syllabus will be announced by email and in the *Announcements* section in the course website. You are expected to check your email and to log-in into the course website regularly.