

# Econ 477: Political Economics

Winter 2019: MW 11:00-12:15, 3712 HBLL

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## Description

Traditionally, Economics studies how public policies and market structures influence the incentives and welfare of economic actors such as consumers, workers, and firms. Political Economics (or Political Economy) applies the analytical tools of microeconomic theory and game theory to study how political rules and institutions shape the incentives and welfare of political actors such as voters, politicians, and interest groups. Topics include government efficiency and inefficiency, preference and information aggregation, electoral systems, spatial models of elections, and competition for political influence.

Content for this course is heavily theoretical—extending the modeling approach of Economics 382—and can quickly become quite technical. Also, political economic analysis has repeatedly found that obvious answers to political-economic questions do not stand up to closer scrutiny. This leaves a number of theoretical puzzles, which have proven surprisingly difficult to resolve. This lack of resolution can be dissatisfying. Dispelling misconceptions actually does constitute progress, however, and carefully exploring the limitations of existing theories offers the most promising path toward more complete future insights. Such intellectual persistence is important because of the importance of the subject matter.

“Teach ye diligently . . . that you may be instructed more perfectly in theory, in principle, . . . *the perplexities of nations*, . . . and a knowledge also of countries and of kingdoms—that ye may be prepared in all things when I shall send you again to magnify the calling whereunto I have called you, and the mission with which I have commissioned you.”  
(Doctrine & Covenants 88:78-80, emphasis added)

“Politics is more difficult than physics” (Albert Einstein)

## Prerequisites

Microeconomics (Econ 110, 380, 382), Calculus (Math 112) and Statistics (Econ 378). Game theory (Econ 478) and Econometrics (Econ 388) are useful but not required.

## Optional Text

Mueller, Dennis C (2003). Public Choice III. Cambridge University Press. (~\$60). This course follows the text only very loosely. Readings provide enrichment, but are not required. Course lecture notes are available at BYU store, or on Learning Suite.

## Grading

Your final grade will give equal weight to homework, one midterm exam, and one final exam.

Lectures and exam questions focus on broad principles of political economics, lacking time for the more technical details of specific models. Technical details also clarify many important insights, though, so daily homework questions ask you to work through these.

Homework will consist of 25 problem sets, due every lecture. Point values correspond roughly to difficulty. Some of the problems are quite difficult, so please start early, thereby allowing yourself to get whatever help you need. I will accept late assignments at a -20% penalty. I will drop your one lowest homework score. Up to five students may submit homework together, as long as you truly worked together (you should not sign your name to work that you did not do).

## Participation

Both to foster active learning and to assess student understanding, I will invite individual students to answer questions, and also to pray at the beginning of class. If you prefer not to participate in lectures or to pray publicly, that is fine too: please feel free to decline my invitations, or request that I not call on you.

## Approximate Schedule

<u>Date</u>	<u>Day</u>	<u>Topics</u>	<u>Text</u>	<u>HW</u>
		<b><u>Foundations</u></b>		
Jan 7	M	Models, Welfare	-	-
9	W	Game theory	2.1-3	1
		<b><u>Role of Government</u></b>		
14	M	Market / government failure, Coase theorem	2.6-7	2
16	W	Public goods, redistribution	2.4, 3.1-8	3
21	M	<i>No class (Martin Luther King Jr. Day)</i>	-	-
23	W	Tiebout sorting, pressure	9.1-5	4

		<b><u>Majority Rule</u></b>		
18	M	Preference aggregation	6.1-6	5
30	W	Information aggregation	-	6
		<b><u>Participation</u></b>		
Feb 4	M	Costly participation	14.1-6	7
6	W	Strategic abstention	-	8
		<b><u>Voting Rules</u></b>		
11	M	Cycles, Agendas, Strategic voting	5.2, 5.12	9
13	W	Voting rules	7.1-6	10
18	M	<i>No class (Presidents Day)</i>	-	-
19	T	Voting rules	7.1-6	11
20	W	Impossibility theorem	24.1-4	12
		<b><u>Exam Prep</u></b>		
25	M	Review	-	13
<b>26-2</b>	<b>T-Sa</b>	<b>Exam 1 (Testing Center)</b>	-	-
		<b><u>Spatial Voting</u></b>		
Mar 4	M	Median voter theorem	5.3-4	-
6	W	Chaos theorem	5.3-4	14
		<b><u>Electoral Competition</u></b>		
11	M	Agency models	11.1,3	15
13	W	Downsian model	12.1-6	16
18	M	Downsian extensions	12.1-6	17
20	W	Multiple dimensions	12.1-6	18
25	M	Entry	-	19
		<b><u>Opinion Model</u></b>		
27	W	Ideology as opinion	-	20
Apr 1	M	Polarization, Pandering	-	21
3	W	<i>No class</i>	-	-
8	M	Mandates	-	22
10	W	Multiple dimensions	-	23
		<b><u>Miscellaneous</u></b>		
15	M	Federalism, Parliamentary elections	10.1-5, 13.8-11	24
		<b><u>Exam Prep</u></b>		
17	W	Review	-	25
<b>20</b>	<b>Sa</b>	<b>Exam 2 (11-2pm, 3712 HBLL)</b>	-	-

## University Policies

### Honor Code

In keeping with the principles of the BYU Honor Code, students are expected to be honest in all of their academic work. Academic honesty means, most fundamentally, that any work you present as your own must in fact be your own work and not that of another. Violations of this principle may result in a failing grade in the course and additional disciplinary action by the university. Students are also expected to adhere to the Dress and Grooming Standards. Adherence demonstrates respect for yourself and others and ensures an effective learning and working environment. It is the university's expectation, and every instructor's expectation in class, that each student will abide by all Honor Code standards. Please call the Honor Code Office at 422-2847 if you have questions about those standards.

### Preventing & Responding to Sexual Misconduct

In accordance with Title IX of the Education Amendments of 1972, Brigham Young University prohibits unlawful sex discrimination against any participant in its education programs or activities. The university also prohibits sexual harassment—including sexual violence—committed by or against students, university employees, and visitors to campus. As outlined in university policy, sexual harassment, dating violence, domestic violence, sexual assault, and stalking are considered forms of "Sexual Misconduct" prohibited by the university.

University policy requires all university employees in a teaching, managerial, or supervisory role to report all incidents of Sexual Misconduct that come to their attention in any way, including but not limited to face-to-face conversations, a written class assignment or paper, class discussion, email, text, or social media post. Incidents of Sexual Misconduct should be reported to the Title IX Coordinator at [t9coordinator@byu.edu](mailto:t9coordinator@byu.edu) or (801) 422-8692. Reports may also be submitted through EthicsPoint at <https://titleix.byu.edu/report> or 1-888-238-1062 (24-hours a day).

BYU offers confidential resources for those affected by Sexual Misconduct, including the university's Victim Advocate, as well as a number of non-confidential resources and services that may be helpful. Additional information about Title IX, the university's Sexual Misconduct Policy, reporting requirements, and resources can be found at <http://titleix.byu.edu> or by contacting the university's Title IX Coordinator.

### Student Disability

Brigham Young University is committed to providing a working and learning atmosphere that reasonably accommodates qualified persons with disabilities. If you have any disability which may impair your ability to complete this course successfully, please contact the University Accessibility Center (UAC), 2170 WSC or 422-2767. Reasonable academic accommodations are reviewed for all students who have qualified, documented disabilities. The UAC can also assess students for learning, attention, and emotional concerns. Services are coordinated with the student and instructor by the UAC. If you need assistance or if you feel you have been unlawfully discriminated against on the basis of disability, you may seek resolution through established grievance policy and procedures by contacting the Equal Employment Office at 422-5895, D-285 ASB.