

**INSTITUTO TECNOLÓGICO AUTÓNOMO DE MÉXICO**  
**Department of Economics**

Eco-15111-001  
Political Economy  
(*Economia Política*)  
Class Time: 5:30 PM – 7 PM  
Monday, Wednesday  
Place: Rio Hondo, Salon 110  
,

Professor Andrei M. Gomberg  
e-mail: gomberg@itam.mx  
Phone: 5628-4000, extension 2917  
Office Hours: M, W 7 PM – 8 PM  
**and by appointment (at CIE, ST)**  
Place: RH, Economics Department

## **INTRODUCTION**

The purpose of this class is to study how economists think about political institutions. We shall begin by considering economic situations where a society may want to take centralized decisions. We then shall introduce the framework of social choice and study the tension between various desirable features of societal decision-making (these will be illustrated by considering various voting methods used in democratic societies). Afterwards we shall consider various aspects of group choice broadly grouped in three main topics: elections (the role of parties and candidates, the impact of voting systems); legislatures (strategic and cooperative interaction between voters, bargaining, role of procedure) and juries (information aggregation and communication).

## **PREREQUISITES**

This is an intermediate-level course. Consequently, a basic knowledge of fundamental microeconomic concepts and methodology will be assumed. Mathematical requirements will be kept to a necessary minimum. Nonetheless, confident knowledge of basic single-variable calculus and probability, some idea of what constitutes a proof and ability to read, understand and draw graphs will be required.

## **READINGS**

This class will draw on various sources. However, especially in the first part of the semester, I will extensively use the following:

- K. Shepsle, *Analyzing Politics: Rationality, Behavior and Institutions*, 2<sup>nd</sup> ed. W.W. Norton & Co. : 2010
- Persson, Torsten and Guido Tabellini. 2000. *Political Economics. Explaining Economic Policy*. Cambridge, MA: MIT Press.

Other readings will be assigned throughout the semester.

## **EXERCISES AND HOMEWORKS**

Homework will be assigned throughout the semester and should be submitted. Selected homework **may be graded** (I will decide what to grade **after** you submit the homework). Solutions to important exercises will be provided in class, and you are welcome to come to me with any questions about any of the problems.

## **EXAMS AND GRADING**

There will be a midterm and a final examination in this class. The final examination will be cumulative, in the sense that exam questions may refer to any material covered from the beginning of the semester. No make-up opportunities will be provided, unless an **extremely** valid medical or other reason can be **documented** (the documentation will be checked). In addition, there will be a research project that will be described later, which you will be due on the date of the final exam.

Note, that while I am not going to be taking regular attendance, a lot of the material presented will not follow any text closely. Therefore, class attendance is strongly encouraged (translation: no, you can't take this class by e-mail, while at the same time improving your Arabic in Morocco, and your strict boss at work will have to let you out of the office before 7 PM **a lot** more often than twice a semester).

The final grade will be determined as follows:

Grade on the midterm – 35%  
Grade on the final - 45%  
Research Project – 20%

## **OFFICE HOURS**

Besides the scheduled office hours, students are encouraged to schedule appointments to discuss any matters relevant to the class. I can always be reached by e-mail and will respond as soon as possible.

## **LANGUAGE AND OTHER MATTERS**

The language of instruction in this class is **English**. However, you are welcome to submit any exams and/or homework in Spanish. If you do not understand anything I say or write in class or in a private discussion after class and during the office hours, feel free to interrupt at any time and ask for clarification. I would also appreciate any comments on the material and style of the class that you can make.

## WEB PAGE

In addition to the canvas page, the homepage for this class is located at <https://gente.itam.mx/gomberg/polecon>. All exercises, notes, grades, announcements, etc. will be posted there. Make sure to consult it regularly.

## APPROXIMATE OUTLINE OF THE CLASS

1. *Introduction. The need for collective decision-making*
  - Markets and welfare
  - Public goods and taxes
  - Location of a public facility
  - (In) equality
  
2. *The Normative: Social Choice*
  - Preferences and their aggregation
  - Majority rule: Condorcet Paradox and the power of agenda-setter
  - Two alternatives: May's Theorem
  - Many alternatives: Arrow's Theorem
  - Restricting preferences: the spatial model and the median voter  
Application: voting over public goods
  - Utilitarian social choice  
Application: measurement of inequality and poverty

2. *Elections*

- Political parties: vote-maximizing and ideological
- Probabilistic voting
- Endogenous parties and endogenous candidates
- Voting systems and Duverger's law
- The paradox of voting and turnout

3. *Legislatures and bargaining*

- Cooperative game theory and coalition formation: core
- The spatial approach: core and Condorcet
- Dividing the spoils: bargaining
- Legislative bargaining and (non-cooperative) coalition formation
- The rules of procedure

4. *Juries and information aggregation*

- Information aggregation, voting and rational ignorance
- The swing voter's curse
- Learning and Communication
- Experiments in Political Economy