Political Economy
440.656

Ahmed Saber Mahmud
Johns Hopkins University
Thursday 6:00 - 8:45 PM
Fall 2013

Office hours: After the class or by appointment
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Prerequisites:
440.601 Microeconomic Theory and Policy;

Objective:
This course examines how political and economic forces interact to influence the character of domestic economic policies. The course examines the role of various political institutions such as the structure of elections, the political party system, the legislative process, the powers of the executive, and lobbying. It then assesses how these institutions impact monetary, fiscal, and regulatory policy. An exploration of how the performance of these policies in turn influences the outcome of the political process concludes the course.

Textbooks:

The other recommended books are:
Political Economics by Persson and Tabellini
The Art of Political Manipulation by William H. Riker
Liberalism against Populism by William H. Riker

Exams
There will be one midterm and one final. None of the exams will be cumulative. However, material from the previous exam will be useful for the latter. You will be graded not only based on the answers to the questions on the exam but also on how you derived them. This will allow me to give partial credits when possible. Your grade will be based on:

50% Midterm exam
50% Final exam

Grades will be mostly based on exams. Class participation is encouraged throughout the course. HWs will be assigned but will not be graded and solutions to the HWs will be handed out and discussed in the next class.

Disabilities:
Students with any documented physical or learning disabilities in need of special accommodation should let me know in advance so that arrangements can be made.
Course Outline

1. **Introduction:** We introduce tools of analysis:
   - Rational Choice Methodology
   - Game Theory

   AP Chapter 2 and lecture note.

2. **Social Choice:**
   - Condorcet Paradox
   - Arrow’s Impossibility Theorem
   - Single-Peaked Preferences

   AP Chapter 3, 4 and lecture note.

3. **Policy Convergence:**
   - One-dimensional Case
   - Multi-Dimensional Case
   - Example from Public Good Provision

   AP Chapter 5 and lecture note.

4. **Policy Divergence:**
   - Citizen-Candidate Model

   Lecture note.

5. **Strategic Voting:**
   - How policies can be manipulated
   - Several Examples from History

   AP Chapter 6 and lecture note.

6. **Why Does State Exist?**
   - Cooperation and Conflict
   - The Origin of Centralized Source of violence
   - When States Fail – an Example

   AP Chapter 8.

7. **Political Regimes**
   - Social Origin of Political Regimes
   - Economic Origins of Political Regimes

8. Political Economy of Growth
   - A Growth Model
   - Empirical Evidence


9. Political Economy of Public Debt

Lecture note.

10. Federalism
   - Origins of Federalism
   - Centralization and Decentralization

Lecture note.