14.770: Introduction to Political Economy

Daron Acemoglu and Benjamin Olken

Fall 2017

This course is intended as an introduction to field of political economy. It is the first part of the two-part sequence in political economy, along with 14.773 which will be offered in the spring. Combined the purpose of the two classes is to give you both a sense of the frontier research topics and a good command of the tools in the area. The reading list is intentionally long, to give those of you interested in the field an opportunity to dig deeper into some of the topics in this area. The lectures will cover the material with *’s in detail and also discuss the material without *’s, but in less detail.

**Grading:** Class requirements:
- Problem sets (50% of grade). You may work in groups of maximum 2 students on the problem sets, and even then each of you must hand in your own solutions. There will be approximately 5-6 problem sets in total, covering a mix of theory and empirics.
- Final Exam. (40% of grade).
- Class participation (10% of grade)

**Course Information:**

*Professors*
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*Lecture*
MW 2:30-4:00 (E51-390)

*Recitation*
F 4:00-5:30 (E51-372)
1 Voters (DA, 9/6, 9/11, 9/13, 9/18, 9/20, 9/25 & 9/27)

1.1 Collective Choices and Voting

These two lectures introduce some basic notions from the theory of collective choice and the basic static voting models.


   - Chapter 2: Preferences and Institutions
   - Chapter 3: Electoral Competition
   - Chapter 6: General-Interest Politics

   - Section 4: Democratic Politics
   - Appendix to Section 4: The Distribution of Power in Democracy


1.2 Voting and Information Aggregation

This lecture will introduce models in which voters have imperfect information about the underlying state or their preferences, and investigates the extent to which voting can act as a method of information aggregation.


1.3 Votes and Political Decisions in Practice

These two lectures provide some evidence on how people vote, the extent to which the predictions of some basic models of voting are borne out, and the motives, strategic or otherwise, of voters.

*Why and How Do Voters Vote?*


[http://www.kellogg.northwestern.edu/faculty/spenkuch/research/voting.pdf](http://www.kellogg.northwestern.edu/faculty/spenkuch/research/voting.pdf)


Do Parties and Policies Converge to the Middle?


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**Do Policies Reflect Voter Preferences?**


1.4 Election Politics Gone Wrong: Lobbying, Vote Buying, Clientelism, Coercion and Populism

In this block of lectures, we discuss how the democratic process is often distorted because of the powerful agents and groups exerting undue power via lobbying, vote buying, direct coercion, or the process of patron-client relationships.

_Lobbying and Vote Buying_


**Clientelism, Patronage and Coercion**


**Populist Politics**


## 2 Politicians (DA, 10/2, 10/4 & 10/11)

### 2.1 Political Agency

In this lecture, we introduce the notion of political agency whereby decision-making powers delegated to elect politicians who are then controlled by voters through the democratic process.


2.2 Political Agency Gone Wrong

This lecture shows how, in contrast to the theoretical benchmark of well-functioning political agency, in much of the world politicians are able to manipulate the election process and thwart democratic control mechanisms.


3 Policies (DA, 10/16, 10/18, 10/23 & 10/25)

3.1 Economic Policy under Representative Democracy

In this lecture, we discuss two different approaches to economic policy on the representative democracy: legislative bargaining and policy competition with political agency.


3.2 Political Compromise

This lecture will discuss how dynamic interactions can lead to political compromise between different groups or parties (both in democratic and nondemocratic environments) and what the limits of this type of political compromise are.


3.3 Economic Policy under Nondemocratic Institutions

This lecture provides an introduction to economic policy when one group holds political power and uses policy in order to directly or indirectly further its economic interests.


   
   - Chapter 22: Institutions, Political Economy, and Growth


4 Conflict (BO, 10/30, 11/1 & 11/6)

4.1 Theory: Why Does Conflict Take Place? Bargaining Failures and Other Reasons


4.2 Empirics

4.2.1 Why does conflict occur? Costs, benefits, and other factors


4.2.2 Counterinsurgency


4.2.3 The Costs of Conflict


5 Collective Action (BO, 11/8 & 11/13)

5.1 Collective Action and Group Size


5.2 Collective Action and Ethnic Heterogeneity


### 5.3 Social Capital and Collective action:


### 5.4 Promoting Collective Action


5.5 Can Stimulating Collective Actions Change Institutions?


5.6 Decentralization and local capture


### Media (BO, 11/15 & 11/20)

#### 6.1 Political Influence on Media


### 6.2 Media Bias and Voting


### 6.3 Media’s Impact on Policy


6.4 Media and Protest


7 Bureaucracy (BO, 11/27 & 11/29)

7.1 Do Bureaucrats Matter?


7.2 Incentives for and Allocation of Bureaucrats


### 7.3 Selection of Bureaucrats


### 7.4 Rules vs. Discretion


8 Corruption (BO, 12/4, 12/6, 12/11 & 12/13)

8.1 Efficiency costs


### 8.2 The Official’s Decision to Be Corrupt: Wages, Incentives, and Selection


8.3 The IO of Corruption


8.4 Corruption and Politics

*Politicians and firms*


**Elections as a Disciplinary Device**


**Elections and the demand for corruption**


**Politicians and the rents from office**
