14.770: Introduction to Political Economy

Daron Acemoglu and Abhijit Banerjee with Alexey Makarin and Esther Duflo

Fall 2022

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 (40% 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 4-5 problem sets in total, covering a mix of theory and empirics.
- Final. (50% of grade).
- Class participation (10% of grade)

Course Information:
Professors
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Lecture
Tuesday-Thursday 2:30-4:00 pm (E51-151)
Recitation
Friday 9:00-10:30 am (E51-372)
1 Voting

1.1 Introduction: The Median Voter Theorem (AB, September 8)

This first lecture introduces some basic notions from the theory of collective choice and the basic static voting models.

*Single-peaked Preferences, Median Voter Theorem and Policy Convergence*


*Efficiency and Majority Voting*


*Recitation: Arrow Impossibility Theorem*


1.2 When Voting Works and When It Doesn’t: A First Look (DA, September 13)

This lecture will discuss conditions under which voting works in appropriately aggregating preferences and information.


1.3 Votes and Political Decisions in Practice (DA, September 15 and 20)

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?*


**Do Parties and Policies Converge to the Middle?**


**Do Policies Reflect Voter Preferences?**


**1.4 Election Politics Gone Wrong: Lobbying, Vote Buying, Clientelism, Coercion, and Populism (DA, September 22, 27, 29, and October 4)**

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, and patron-client relationships, as well as the possibility that populist dynamics or extremism via social media undermines democratic politics.

**Lobbying and Vote Buying**


*Clientelism, Patronage and Coercion*


**Populism**


1.5 Social Media (AM, October 6)

This lecture will focus on the effects of social media on politics, extremism and collective action.

Overview


Social Media in Autocracies


Social Media in Democracies


Social Media and Individual Well-Being


2 Politicians

2.1 Political Agency (DA, October 13)

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 (DA, October 18 and 20)

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: Economic Policy under Representative Democracy (DA, October 25)

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


4 Back to Politicians

4.1 Citizen Candidate Models (AB, October 27; Duflo, November 1)

Are Politicians’ Views Fixed or Malleable?


Citizen Candidate Models and the Failure of the Median Voter Theorem


Empirical Support for Citizen Candidate Models


5 Policies: Political Compromise (DA, November 3)

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.


6 Back to Voting

6.1 Multidimensional Voting (AB, November 8)


6.2 Do Voters Have the Information They Need and Use It? (AB, November 10 and 15)


7 Political Preferences (AB, November 17 and 22)

Where do Voter Preferences Come from?


How Malleable are Voter Preferences?


### 8 Policies: Wars, Trade, and Relational Contracts (AM, November 29)

This lecture will discuss its the relationship between war and trade, and the rise in conflicts today, especially in the context of the Russia-Ukraine war.


9 Bureaucracy

9.1 Formation of Bureaucracy (AB, December 1 and 6)

Do Bureaucrats Matter?


Incentives for and Allocation of Bureaucrats


### Selection of Bureaucrats


*The Level of Control*


### 9.2 Corruption (AB, December 8 and 13)

*What is Corruption: Conceptual Issues and Measurement Strategies*


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


The IO of Corruption


Combatting Corruption: Evidence from Anti-corruption Interventions


