TOPICS IN POLITICAL ECONOMY (14.29)

Fall, 2000
Mondays and Wednesdays from 10:30 a.m. to 12:00 in Room E51-061

• Instructor

David Spector, Room E52-251A, 258-9268, spector@mit.edu

• Course description

This course is an introduction to political economy. It is divided into three independent parts. Part I addresses the question of decision-making procedures for collective choices and investigates specific real-world institutions, in particular the voting mechanism. Part II reviews some of the recent literature about inequality and redistribution. Part III is more game-theoretic. It deals with uncertainty, information aggregation and belief formation, with applications to inequality and redistribution.

• Material

Handouts are going to be given in class. Reading the papers of the course package (available from Copy Tech in the basement of E52) is not a substitute for class attendance.

• Requirements

For each of the three parts of the class, there will be an assignment and an exam. Assignment are going to be given around the middle of each part, and due a week later. Exams are going to be given at the end of each part. The last exam (for part III) is going to take place on Wednesday, December 8, 2000.

• Grading

The three assignments and the three exams all count equally for the final grade.

• Syllabus

PART I - POLITICAL INSTITUTIONS AND PUBLIC CHOICE

1. Voting and other institutions

An application to the comparison of institutions in 18th century England and France:


2. Fairness

The models studied in section 1/ lead to the conclusion that it is hard to define general rules for making collective choices. Is it easier to define the desirable properties of collective decisions, rather than the political processes leading to them? The answer is negative in general:


3. Models of the political process: should we expect efficient outcomes?


http://www.jstor.org/cgi-bin/jstor/listjournal


4. What distinguishes the government from other organizations?

PART II - INEQUALITY AND REDISTRIBUTION

1. General facts.

How does one measure inequality?
How did inequality and redistribution evolve over time and across countries?


2. The labor-capital conflict. Is wealth inequality the main thing to look at?

*The classical growth model revisited:*


*The theory of imperfect credit markets:*


*Trade unions, bargaining and competition:*


3. Human capital and wages

4. Trade


5. The political economy of inequality and redistribution


PART III - INFORMATION AGGREGATION, COMMUNICATION, AND COLLECTIVE CHOICE

1. Theory of pure communication


2. Applications


3. Beliefs and inequality
