Universidad Carlos III de Madrid

COURSE: Eonomia Politica (Introduction to Social Choice Theory, Political Economy, and Public Choice)		
DEGREE: Economics	YEAR: 2013	TERM:

WEEKLY PROGRAMMING

WEEK	SESSION	DESCRIPTION	GROUPS		Special room for session (computer classroom, audio-visual classroom…)	WEEKLY PROGRAMMING FOR STUDENT		
			LECTU RES	SEMIN AR		DESCRIPTION	CLASS HOURS	HOMEWORK HOURS Maximum 7 H
1	1	A brief introduction to political economy, public choice, and social choice theory.	X			Market failures and government failures. Understanding the philosophical foundations of utilitarianism and social choice theory.	1.5	3 H
1	2	Recap on individual and social preferences Introduction to the formalism of social choice theory The canonical voting rules		X		Review on the concepts of ordinal preferences and rationality. You will learn the concept of preference aggregation rules. We will introduce canonical voting rules such as the majority rule, unanimity rule, or the Borda rule.	1.5	
2	3	Normative properties of voting rules May's theorem on majority rule	X			We will see what special properties majority rule satisfies, and why it stands out among other voting rules.	1.5	3 H
2	4	Condorcet cycles and the paradox of majority rule.		X		Despite all the appealing normative properties it satisfies, we will see why majority rule is problematic, and why it leads to irrational group decisions. We will discuss whether other voting rule can avoid this irrationality.	1.5	
3	5	Generalizing Condorcet cycles: Brown and Arrow impossibility theorem. The doctrinal paradox	X			You will learn one of the most famous results in economics, which basically states that any voting rule must be either very undemocratic or irrational.	1.5	3 H
3	6	Practice problems on social choice theory, preferences aggregation, and voting rules		X		This session is a review session on the material of the first three weeks of class.	1.5	
4	7	A positive theory of voting: Condorcet winner and the median voter theorem The tyranny of the majority Literature review and class discussion: direct democracy and minority right protections.	X			We will build a simple theory that can be used to predict the outcome of a majoritarian decision process. We will discuss whether majority rule can lead the majority to expropriate minorities, and whether constitutional safeguards can avoid such outcomes.	1.5	3 H
4	8	Voting on public good provision: is majority rule a good way to aggregate preferences over public good provision? can a majority rule		X		We will apply the median voter theorem to predict the outcome of a vote on the provision of a public good under	1.5	

						Description		
		solve the free-riding problem?				various taxation (progressive and regressive) arrangements.		
5	9	Voting on redistribution: theory and evidence	X			We will apply the median voter theorem to predict the outcome of a vote on redistribution. We will discuss the empirical evidence on the relation between income inequality and degree of redistribution.	1.5	3 H
5	10	Capital taxation versus income taxation		X		We will apply the median voter theorem to predict the outcome of a vote on how much to tax capital and labor.	1.5	
6	11	Is the median voter really pivotal? Discussion of the empirical evidence, and of the alternative models of voting.	X			We will discuss the empirical evidence for or against the median voter theorem, and discuss briefly the other positive models of voting that have been proposed in the literature.	1.5	3 H
6	12	The limits of the median voter theorem: multiple issues, instability, and the chaos theorem.		X		We will see why voting via majority rule over several issues (i.e. several dimensions) at the same time can be problematic (Plott instability theorem). We will show that when majority rule is unstable, then it can lead to any possible outcome in the policy space (the chaos theorem).	1.5	
7	13	Voting in legislatures: legislative voting procedures, and the power of the agenda setter Information aggregation and voting	X			We will discuss the voting procedures that are used in practice in most legislatures. We will discuss these rules in light of the previous results. We will show that when majority rule is unstable, the legislator in charge of setting the agenda of the legislature has considerable power.	1.5	3 H
7	14			X			1.5	
8	15	Voting in large elections: The Downs model of political competition Discussion of the limits of the Downs model	X			We will analyze the incentives of voters and political candidates in a situation of political competition. We will investigate whether electoral competition forces candidate to propose the policies that the majority wants? We will discuss whether the prediction of the Downs model are realistic	1.5	3 H
8	16	Applications and extensions of the Downs model		X		We will apply the Downs model to a simple electoral environment. We will extend the Downs model in several directions: candidates' ideologies, majority cycles, noncredible electoral announcements…	1.5	
9	17	Voting and information aggregation: The Condorcet jury theorem and its limits. Application of the Condorcet jury theorem: jury trials Limits of the Condorcet jury theorem	X			Instead of aggregating individual preferences, we will study voting rules as a way to aggregate individual information. We will see that under certain conditions, majority rule can aggregate decentralized information efficiently. We will discuss the limits this result, and compare it with the first welfare theorem in market environments.	1.5	3 H
9	18	Preparation for the midterm		X		This session will be devoted to exercises on the material covered by the midterm, and the questions of the students.	1.5	
10	19	Midterm exams	X				1.5	3 H
10	20	Political participation and voters' incentives: why do we vote? The rational ignorance theory: why do we vote like morons?		X		What are the incentives of voters to vote in large elections? What are their incentives to think hard about their choice and understand the consequence of their vote?	1.5	
11	21	Student presentations: advanced topics in political economy or public	X			Student presentations on a topic chosen by the student.	1.5	3 H

		choice				Examples of topics include: rent seeking, corruption, election primaries, presidential versus parliamentary democracies, the political economy of immigration policies, the politics of alcohol regulation during the prohibition, the political economy of drug regulation, the size of the states, the political economy of financial regulation…			
11	22	Student presentations: advanced topics in political economy or public choice		X		See above	1.5	
12	23	Student presentations: advanced topics in political economy or public choice	X			See above	1.5	3 H
12	24	Student presentations: advanced topics in political economy or public choice		X		See above	1.5	
13	25	Student presentations: advanced topics in political economy or public choice	X			See above	1.5	3 H
13	26	Student presentations: advanced topics in political economy or public choice		X		See above	1.5	
14	27	Student presentations: advanced topics in political economy or public choice	X			See above	1.5	3 H
14	28	Student presentations: advanced topics in political economy or public choice		X		See above	1.5	
SUBTOTAL							**42 + 42 = 84**	
15		Tutorials, handing in, etc						
16-18		Assessment						
TOTAL								