PSCI 282/482: Political Economy of Public Policy

Spring 2021
TR 2:00pm-3:15pm
Zoom Meetings

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Office Hours: by appointment via Zoom

What should governments do? What can governments do? What do policymakers want to do? This course examines these questions from the perspective of modern political economy. The perspective is twofold: it comprises both a set of tools (mathematical modeling and rigorous empirical analysis) and a fundamental premise that public policy is the outcome of rational, strategic choices by self-interested policymakers who face institutional constraints that shape their incentives and limit their scope of action. The course begins by discussing normative considerations about what might constitute "good" public policy. It then explores areas where public policy has the potential to improve social welfare in a modern economy. Finally, it analyzes how the political process influences policymakers' actual choices. Special attention is given to key differences between developed and developing countries.

Number of Credit Hours: This course follows the College credit hour policy for four-credit courses. The course meets twice weekly for 3 academic hours per week, and it also includes independent out-of-class assignments for an average of 1 academic hour per week.

Prerequisites: Students are expected to have taken PSCI 107, PSCI/ECON 288, or a similar introductory course on formal models of decision-making.

Grading: Evaluation is based on weekly problem sets (40%) and three in-class exams (20% each). The lowest homework score will be dropped when calculating the final course grade to allow for illness or other unforeseen events. Late assignments will be penalized 10/100 points for each day they are late. Homeworks more than 7 days late will not be accepted.

Collaboration Policy: While collaboration on problem sets is encouraged, all assignments must be completed individually.

Academic Honesty: Please be familiar with the University's policies on academic integrity and disciplinary action (https://www.rochester.edu/college/honesty/).

Disability Resources: The University respects and welcomes students of all backgrounds and abilities. If you encounter any barriers to full participation in this course, please contact the Office of Disability Resources (https://www.rochester.edu/college/disability/).

Text: Bueno de Mesquita, Ethan (2016), *Political Economy for Public Policy*, Princeton University Press. In addition, lecture notes will be uploaded to Blackboard.

Course Schedule:

Part 1: Analytical Foundations

February 2: Introduction

February 4,9: Utility, Strategic-Form Games, and Nash Equilibrium (Appendix A)

February 11,16: Extensive-Form Games (Appendix B)

Part 2: Normative Considerations

February 18: Normative Frameworks (Chapter 1)

February 23: Collective Goals (Chapter 2)

February 25: Pareto Concepts (Chapter 3)

March 2: First Exam

Part 3: Opportunities for Good Public Policy

March 4,9: Externalities (Chapter 4)

March 11,16: Coordination Problems (Chapter 5)

March 18,23: Commitment Problems (Chapter 6)

March 25: Second Exam

March 30: No Class (Study Break)

Part 4: Political Constraints on Good Governance

April 1,6: Strategic Adjustment (Chapter 7)

April 8,13: Dynamic Inconsistency (Chapter 8)

April 15,20: The Need for Information (Chapter 9)

April 22,27: In uence over Elected O cials (Chapter 10)

April 29, May 4: Institutions, Incentives, and Power (Chapter 11)

May 6: Third Exam