

**University of Illinois at Urbana-Champaign**  
**Department of Economics**  
**Political Economy (ECON 490)**

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### **Time and Place**

TR 3:30pm-4:50pm, 223 David Kinley Hall

Political Economy studies how self-interested, rational policy-makers make choices in an institutionalized environment. In this course students will utilize utility-maximization theories and tools of microeconomics to understand behavior of rational and goal driven political actors. Students will study political outcomes and the interaction between the actors within the institutional constraints of their environment. We will attempt to explain why the government behaves as it does and how its behavior influences and is in turn influenced by the behavior of private citizens. We will also investigate the effects of political institutions on political and economic outcomes and assess the relative performance of different political systems.

### **Prerequisite for the Course**

ECON 202 or equivalent, ECON 302 or equivalent; one of MATH 220 or MATH 221 or equivalent.

It is **strongly recommended** that you complete ECON 202 or equivalent, ECON 302 or equivalent; one of MATH 220 or MATH 221 or equivalent before taking Political Economy. The prerequisite of ECON 202 and 302 or equivalent courses will be enforced for this course. If you do not have ECON 302 and ECON 202 completed before this course begins, you will be dropped. It is also recommended that students take some other 400 level courses offered by Economics or Political Science departments before attempting this course. General knowledge of and interest in the American political system is a plus.

### **Main Textbook**

The course is primarily based on the manuscript by Prof. Mattias Polborn.

### **Recommended Textbooks**

Scott Gehlbach. *Formal Models of Domestic Politics*, Under contract with Cambridge University Press. Draft: August 5, 2011.

Kenneth A. Shepsle. *Analyzing Politics. Rationality, Behavior, and Institutions*. W.W. Norton & Company, Inc., 2010. Second Edition.

Adam Przeworski. *States and Markets: A Primer in Political Economy*. Cambridge University Press. 2003.

## Assessment

Your grade will be based on your performance in the following categories: One in-class midterm exam (40% of your grade), a final exam (45%) and class participation credit and homework (15%).

**Midterm Exam: Thursday, October 15, 2015, during class. Location: TBA**

**Final Exam: Tuesday, Dec. 15, 7:00-10:00pm. Location: TBA**

The exam dates are firm and you should put them in your schedule. If there is a change, it will be announced sufficiently in advance. Note that the time and the date for the final exam is set by the University and cannot be changed.

If you miss an exam because of University approved reasons (see the Student Code), you need to notify me at least 7 days in advance. To receive alternative accommodation for the exam, you need to provide necessary documentation from the Emergency Dean (Student dean). If I receive no written notification from you in advance and you do not show up for the exam, zero points will be recorded as your exam.

Please book your flights accordingly. No excuses such as “I have to attend my sister’s wedding in (insert exotic location here)”, or “My family planned a (insert exciting adjective here) vacation in (insert exotic location here)” or “I already booked my tickets to go back home and they are non-refundable” will be considered.

**Class participation** Participate actively in the class, by asking questions about the material presented and discussing applications. There will be several five-minute long in class short-question quizzes which will NOT be announced ahead of time and they will count towards the participation credits. No make-up quizzes are available.

## Problem Sets

Problem sets will be assigned periodically. They will be graded loosely and will count towards your participation grade.

- Problem sets will be announced in Compass2g under the Announcements.
- Answers to the problem sets will be provided in Compass2g.
- Students are encouraged to work in groups and complete the problem sets before looking at the answers.
- Questions in problem sets are good practice questions in preparation for exams. The exams will be similar in style to the questions in the problem sets.

## Important Warning

Information about problem sets and exams will be posted in Compass2g. You must make sure to check Announcements in Compass2g frequently.

## Grading Scale

The scale used to assign letter grades in the course will be established at the end of the semester. A +/- scale will be used. The cut-offs for +/- will also be established at the end of the semester.

Arguments such as “I studied so hard for this class, so I deserve a higher grade than what my exam grades suggest”, “I am graduating this semester and I already secured a job, so give me a passing grade” or “If I receive B-, my GPA will go down and . . .” do not work for this class.

## **Attendance**

It is strongly recommended that you attend each class. Experience shows that students who attend the lectures do on average much better than those who do not.

You are not strictly obliged to come to class, and you do not need to send me an excuse note when you are not able to attend a session. Likewise, class attendance is not, by itself, a performance measure for this class (“I came to every lecture, so I should get at least a C” does not work for this class). If you miss a class, ask a fellow student for his/her class notes.

## **Academic Integrity**

Violations of academic integrity as given in *the Code of Policies and Regulations* will be taken extremely seriously, and students found cheating in the course (or helping others to cheat) will be penalized according to the Code’s guidelines.

## **Disability Accommodations**

To obtain disability-related academic adjustments and/or auxiliary aids, students with disabilities must contact the course instructor and the Disability Resources and Educational Services (DRES) as soon as possible. To contact DRES you may visit 1207 S. Oak St., Champaign, call 333-4603 (V/TTY), or e-mail a message to [disability@illinois.edu](mailto:disability@illinois.edu).

## **Tentative Schedule**

1. Introduction to the course and the history of political economy (1-2 lectures)
2. Social choice: Preference aggregation, Arrow’s theorem and Gibbard-Satterthwaite’s theorem (4 lectures)
3. A brief overview of public economics (2-3 lectures)
4. The spatial model and the median voter theorem (3 lectures)
5. Candidate competition (4-5 lectures)
6. Campaigns and media (2 lectures)
7. Costly voting (1-2 lectures)
8. Information aggregation (1-2 lectures)
9. Estimation of political positions (2 lectures)
10. Different voting systems (2-3 lectures)
11. Lobbying (2 lectures, time permitting)