

**Introduction to Political Economy  
READING LIST (tentative)**

This course is a first course in political economy, with the aim giving students a solid grounding in methods and subject matter of modern political economy, stressing concepts and theory. The prerequisites for this course are the first-year micro and macro sequences. There will be a final exam at the end of the semester as well as a student presentation of one area on the reading list.

The course website is <https://sites.google.com/site/econ754/> which contains course material. When readings are not easily available at JSTOR, I will try to put them on the course website.

**Texts:** (None is “required”)

Austen-Smith and Banks, *Positive Political Theory I and II*, U. of Michigan Press

Drazen (2000), *Political Economy in Macroeconomics*, Princeton (D)

Grossman and Helpman, *Special Interest Politics*, MIT Press (GH)

Persson and Tabellini (2000), *Political Economics*, MIT Press (PT)

Riker (1982), *Liberalism Against Populism*, Waveland Press (R)

Roemer, J. (2001), *Political Competition: Theory and Applications*, Harvard University Press (JR)

**1. Basic Electoral Models**

a) *Introduction and Background*

D, ch. 1

R, ch. 1

Dewan, T. and K.A. Shepsle (2011), “Political Economy Models of Elections,” *Annual Review of Political Science* 14, 311–30

b) *The Downsian Model*

PT, pp. 19-41, 47-58

JR, pp. 13-27, 52-55

R, chapter 3, 4

c) *Equilibrium in a Downsian Model*

Shepsle, K. and B. Weingast (1981), “Structure-Induced Equilibrium and Legislative Choice,” *Public Choice* 37, 503-19

Lindbeck, A. and J. Weibull (1987), “Balanced-Budget Redistribution as the Outcome of Political Competition,” *Public Choice* 52, 273-297

Romer, T. and H. Rosenthal (1979), “Bureaucrats versus Voters: On the Political Economy of Resource Allocation by Direct Democracy,” *Quarterly Journal of Economics* 93, 563-587

d) *Information Aggregation*

Mueller (2003), *Public Choice III*, Cambridge University Press, section 6.1

Austen-Smith D, and J. Banks (1996), “Information Aggregation, Rationality, and the Condorcet Jury Theorem,” *American Political Science Review* 90, 34–45

Feddersen, T. and W. Pesendorfer (1997), "Voting Behavior and Information Aggregation in Elections with Private Information," *Econometrica* 65, 1029-1058  
Bouton, L. and M. Castanheira (2010), "One Person, Many Votes: Divided Majority and Information Aggregation," *Econometrica* 80, 43-87

## **2. Politicians**

### a) *Representative Democracy*

GH, sections 2.1, 2.2

JR, pp. 28-37, 55-72

Calvert, R. (1985), "Robustness of the Multidimensional Voting Model: Candidate Motivations, Uncertainty, and Convergence," *American Journal of Political Science* 29, 69-95

Callander, S. (2008), "Political Motivations," *Review of Economic Studies* 75, 671-697

Kartik, N., and R. P. McAfee (2007), "Signaling Character in Electoral Competition," *American Economic Review* 97, 852-870

### b) *Entry*

Besley, T. and S. Coate (1997), "An Economic Model of Representative Democracy," *Quarterly Journal of Economics* 112, 85-114

Osborne, M. and A. Slivinski (1996), "A Model of Political Competition with Citizen-Candidates," *Quarterly Journal of Economics* 111, 65-96

Lee D., E. Moretti, and M.J. Butler (2004) "Do Voters Affect or Elect Policies? Evidence From the U.S. House," *Quarterly Journal of Economics* 119, 807-59

### c) *Pandering – Bureaucrats vs. Politicians*

Maskin, E. and J. Tirole (2004), "The Politician and the Judge," *American Economic Review* 94, 1034-54

Canes-Wrone, B., M. Herron, and K. Shotts (2001), "Leadership and Pandering: A Theory of Executive Policymaking," *American Journal of Political Science* 45, 532-50.

Alesina, A. and G. Tabellini (2007) "Bureaucrats or Politicians? Part I: A Single Policy Task," *American Economic Review* 97, 169-179

Besley, T. and S. Coate (2003), "Elected versus Appointed Regulators: Theory and Evidence," *Journal of the European Economic Association* 1, 1176-1206

## **3. Political Agency and Accountability**

### a) *Moral Hazard*

Ferejohn, J. (1986), "Incumbent Performance and Electoral Control," *Public Choice* 50, 5-26.

Besley (2006), *Principled Agents: Motivation and Incentives in Politics*, Oxford, Chapter 3

Austen-Smith D. and J. Banks (1989), "Electoral Accountability and Incumbency," in P.C. Ordeshook (ed.) *Models of Strategic Choice in Politics*, Ann Arbor: Univ. Mich. Press

### b) *Selection*

Banks, J. and R. Sundaram (1993), "Adverse Selection and Moral Hazard in a Repeated Elections Model," in Barnett, ed. *Political Economy: Institutions, Information, Competition, and Representation*, Cambridge, UK: Cambridge University Press

Fearon, J. (1999), "Electoral Accountability and Control of Politicians: Selecting Good Types Versus Sanctioning Poor Performance," in Przeworski, Stokes, and Manin (eds.) *Democracy, Accountability, and Representation*, Cambridge, UK: Cambridge Univ. Press

Aruoba, B., A. Drazen, and R. Vlaicu (2015), "A Structural Model of Electoral Accountability," working paper

#### **4. Participation and Turnout**

GH, sect. 3.1

Palfrey, T. and H. Rosenthal (1985), "Voter Participation and Strategic Uncertainty," *American Political Science Review* 79, 62-78

Feddersen, T. and W. Pesendorfer (1996), "The Swing Voter's Curse," *American Economic Review* 86, 408-24

Coate, S. and M. Conlin (2004), "A Group Rule-Utilitarian Approach to Voter Turnout: Theory and Evidence," *American Economic Review* 94, 1476-1504

Feddersen, T. and A. Sandroni (2006), "A Theory of Participation in Elections," *American Economic Review* 96, 1271-1282

#### **5. Applications**

a) *Credibility of Monetary Policy*

D, pp. 175-207

Backus, D. and J. Driffill (1985), "Inflation and Reputation," *American Economic Review* 75, 530-38

Vickers, J. (1986), "Signaling in a Model of Monetary Policy with Incomplete Information," *Oxford Economic Papers* 38, 443-55

Rogoff, K., (1987), "Reputational Constraints on Monetary Policy," *Carnegie-Rochester Conference Series on Public Policy* 26, 141-181

Drazen, A. and P. Masson (1994), "Credibility of Policies versus Credibility of Policymakers," *Quarterly Journal of Economics* 109, 735-54

b) *Political Budget Cycles (Career Concerns)*

Hölmstrom, B. (1999) "Managerial Incentive Problems: A Dynamic Perspective," *Review of Economic Studies* 66, 169-82. (See also Dewatripont, Jewett, and Tirole, "The Economics of Career Concerns: Part I," and "The Economics of Career Concerns: Part II," in same issue)

Rogoff, K. (1990), "Equilibrium Political Budget Cycles," *American Economic Review* 80, 21-36

Brender, A. and A. Drazen (2005), "Political Budget Cycles in New Versus Established Democracies" *Journal of Monetary Economics* 52

Brender, A. and A. Drazen (2008), "How Do Budget Deficits and Economic Growth Affect Reelection Prospects? – Evidence from a Large Panel of Countries," *American Economic Review* 98, 2203-20

#### **6. Legislatures**

a) *Legislative Bargaining*

Baron, D. and J. Ferejohn (1989), "Bargaining in Legislatures," *American Political Science Review* 83, 1181-1026

Austen-Smith, D. and J. Banks (1988), "Elections, Coalitions and Legislative Outcomes," *American Political Science Review* 82, 405-422

Baron, D. (1991), "A Spatial Bargaining Theory of Government Formation in Parliamentary Systems," *American Political Science Review* 85, 137-164.

Baron, D. (1993), "Government Formation and Endogenous Parties," *American Political Science Review* 87, 34-47.

Baron, D. and D. Diermeier (2001), "Elections, Governments, and Parliaments in Proportional Representation Systems." *QJE* 116, 933-967

b) *Legislative Rules*

Diermeier, D. and T. Feddersen (1998), "Cohesion in Legislatures and the Vote of Confidence Procedure," *American Political Science Review* 92, 611-623

Dziuda, W. and A. Loeperz "Dynamic Collective Choice with Endogenous Status Quo," forthcoming *Journal of Political Economy*

Gilligan, T. and K. Kreihbel (1987), "Collective Decision-making and Standing Committees: An Informational Role for Restrictive Amendment Procedures." *Journal of Law, Economics and Organization* 3, 287-335  
Persson, T., G. Roland and G. Tabellini (1997), "Separation of Powers and Political Accountability," *Quarterly Journal of Economics* 112, 1163-1202

c) *Legislative Dynamics*

Battaglini, M. and S. Coate (2008), "A Dynamic Theory of Public Spending, Taxation and Debt," *American Economic Review* 98, 201-36

Drazen, A. and E. Ilzetzki (2014), "Kosher Pork," working paper

**7. Special Interest Politics**

a) *Redistribution*

D, ch. 8

Tabellini, G. (1991), "The Politics of Intergenerational Redistribution," *Journal of Political Economy* 99, 335-57

Coate, S. and S. Morris (1995), "On the Form of Transfers to Special Interests," *Journal of Political Economy* 103, 1210-35

b) *Resistance to Policy Change*

Fernandez, R. and D. Rodrik (1991), "Resistance to Reform: Status Quo Bias in the Presence of Individual Specific Uncertainty," *American Economic Review* 81, 1146-55

Jain, S. and S. Mukand (2003), "Redistributive Promises and the Adoption of Economic Reform," *American Economic Review* 93, 256-64

Alesina, A. and A. Drazen (1991), "Why are Stabilizations Delayed?," *American Economic Review* 81, 1170-88

c) *Lobbying*

Grossman and Helpman, *Special Interest Politics*, MIT Press, ch. 7, 8, 9

Drazen, A. and N. Limão (2008), "A Bargaining Theory of Inefficient Redistribution Policies," *International Economic Review* 49, 621-57

GH Ch. 4, 5, 6

d) *Campaign Financing*

Ansola-behere, Stephen, J. de Figueiredo, J. Snyder, 2003, "Why Is There So Little Money in U. S. Politics?," *Journal of Economic Perspectives* 17, 105- 130

Coate, S. (2004), "Pareto Improving Campaign Finance Policy," *American Economic Review* 94, 628-55

Prat, A. (2002), "Campaign Advertising and Voter Welfare," *Review of Economic Studies* 69, 999-1018

**9. Political Parties**

Krehbiel, K. (1993), "Where's the Party?," *British Journal of Political Science*, 23(1):235-66.

Snyder, J. and M. Ting (2002) "An Informational Rationale for Political Parties," *American Journal of Political Science*, 46, 90-110

Caillaud, B. and J Tirole (2002), "Parties As Political Intermediaries," *Quarterly Journal of Economics* 117, 1453-89

Diermeier, D. and R. Vlaicu (2011) "Parties, Coalitions, and the Internal Organization of Legislatures," *American Political Science Review* 105, 359-380

## **SOME TOPICS NOT COVERED (FYI if you're interested. Some may be covered in 756)**

### **Comparative Electoral Systems**

- Roger Myerson (1999) "Theoretical Comparisons of Electoral Systems," 1998 Schumpeter Lecture, *European Economic Review* 43, 671-97
- Myerson, R. (1993), "Incentives to Cultivate Favored Minorities under Alternative Electoral Systems," *American Political Science Review*, 87, 856-869
- Alessandro Lizzeri and Niccolo Persico (2001), "The Provision of Public Goods under Alternative Electoral Incentives," *American Economic Review* 91, 225-239.
- Gary Cox (1987), "Electoral Equilibria under Alternative Voting Institutions," *American Journal of Political Science* 31, 82-108
- Persson, T., Roland, G. and G. Tabellini (2000), "Comparative Politics and Public Finance," *Journal of Political Economy* 108, 1121-1161
- Smart, M. and D. Sturm, "Term Limits and Electoral Accountability," forthcoming *Journal of Public Economics*.

### **Federalism**

- Epple, D. and A. Zelenitz (1981), "The Implications of Competition among Jurisdictions: Does Tiebout Need Politics?" *Journal of Political Economy* 89, 1197-1217
- Dixit, A. and J. Londregan (1998), "Fiscal Federalism and Redistributive Politics," *Journal of Public Economics* 68 (2):153-180
- Persson, T. and G. Tabellini (1996), "Federal Fiscal Constitutions: Risk Sharing and Redistribution," *Journal of Political Economy* 104, 979-1009
- Persson, T. and G. Tabellini (1996), "Federal Fiscal Constitutions: Risk Sharing and Moral Hazard," *Econometrica* 64, 623-646

### **Nondemocratic Politics**

- Bueno de Mesquita, B., A. Smith, R. Siverson, and J. Morrow (2003), *The Logic of Political Survival*, Cambridge: MIT Press
- Robert Bates, Avner Greif, and Smita Singh (2002), "Organizing Violence," *Journal of Conflict Resolution* 46 (5): 599-628

### **Threats to Democracy**

- Acemoglu, D. and J. Robinson (2000), "Why Did the West Extend the Franchise?," *Quarterly Journal of Economics* 115, 1167-1199.
- Lizzeri, A. and N. Persico (2004), "Why Did the Elites Extend the Suffrage?," *Quarterly Journal of Economics* 119, 707-765.
- Acemoglu, D. and J. Robinson (2006) *Economic Origins of Dictatorship and Democracy*, New York; Cambridge University Press
- Brender, A. and A. Drazen (2009), "Consolidation of New Democracy, Mass Attitudes, and Clientelism," *American Economic Review Papers and Proceedings* 99, 304-9
- Fearon, J. (2011), "Self Enforcing Democracy," *Quarterly Journal of Economics* 126, 1661-1704

### **Inclusive vs. Extractive Political Systems**

- Bates, R. (1981), *Markets and States in Tropical Africa*, Berkeley: University of California Press
- Acemoglu, D. and J. Robinson (2000), "Political Losers as a Barrier to Economic Development," *American Economic Review* 90, 126-30
- Acemoglu, D., S. Johnson, and J. Robinson (2001). "The Colonial Origins of Comparative Development: An Empirical Investigation," *American Economic Review* 91, 1369– 1401. (see also Albouy, D. (2012) "The

Colonial Origins of Comparative Development: An Empirical Investigation: Comment," *American Economic Review* 102, 3059–3076

Acemoglu, D. and J. Robinson (2002), "Reversal of Fortune: Geography and Institutions in the Making of the Modern World Income Distribution." *Quarterly Journal of Economics* 118, 1231–94

Acemoglu, D. and J. Robinson (2008) "Persistence of Power, Elites and Institutions," *American Economic Review* 98, 267–93

Besley, T. and T. Persson (2019), "The Origins of State Capacity: Property Rights, Taxation and Politics," *American Economic Review* 99, 1218-44, 2009

### **Political Economy of Development – Empirical Studies**

Pande, R. (2003), "Can Mandated Political Representation Provide Disadvantaged Minorities Policy Influence? Theory and Evidence from India," *American Economic Review* 93, 1132-1151

Duflo, E. and R. Chattopadhyay (2004), "Women as Policy Makers: Evidence from a Randomized Policy Experiment in India," *Econometrica* 72, 1409-1443

Besley, T., R. Pande, L. Rahman, and V. Rao (2004), "The Politics of Public Good Provision: Evidence from Indian Local Governments," *Journal of the European Economic Association* 2, 416-426

Ferraz, C. and F. Finan (2008), Exposing Corrupt Politicians: The Effects of Brazil's Publicly Released Audits on Electoral Outcomes," *Quarterly Journal of Economics*, 2008; 123(2): 703-745

Finan, F. and L. Schechter (2012), "Vote-Buying and Reciprocity," *Econometrica* 80, 863-882

### **Experiments in Political Economy**

Palfrey, T.R. (2007), "Laboratory Experiments," In *Oxford Handbook of Political Economy*, ed. Barry R. Weingast and Donald Wittman, 915–937. New York: Oxford University Press

Morton, R. (2009), "Experimental Public Choice" [Slides from Plenary Lecture at 2009 ESA Meetings on Political Economy Experiments](#)

### **Deliberation**

Elster, J., ed. (1998), *Deliberative Democracy*, Cambridge, UK: Cambridge University Press

Ottaviani, M. and P. Sorenson (2001), "Information Aggregation and Debate: Who Should Speak First?" *Journal of Public Economics* 81, 393-421

Austen-Smith, D. and T. Feddersen (2006), "Deliberation, Preference Uncertainty, and Voting Rules," *American Political Science Review* 100, 209-218

Gerardi, D. and L. Yariv (2007), "Deliberative Voting," *Journal of Economic Theory* 134, 313-338

Austen-Smith, D. (1990), "Information Transmission in Debate," *American Journal of Political Science* 34, 124-152

### **Media**

Groseclose, T. and J. Milyo (2005) "A Measure of Media Bias," *Quarterly Journal of Economics* 120 (4): 1191-1237

Besley, T. and A. Prat, (2006), "Handcuffs for the Grabbing Hand? Media Capture and Government Accountability" *American Economic Review* 96, 720-736

DellaVigna, S. and E. Kaplan (2007) "The Fox News Effect: Media Bias and Voting," *Quarterly Journal of Economics* 122

Gerber, A., D. Karlan, and D. Bergan. (2009) "Does the Media Matter? A Field Experiment Measuring the Effect of Newspapers on Voting Behavior and Political Opinions." *American Economic Journal: Applied Economics* 1, 35–52

Gentzkow, M. and J. Shapiro (2010) "What Drives Media Slant? Evidence From U.S. Daily Newspapers," *Econometrica* 78, 35-71