

Advanced Topics in Political Economy

Economics 36102/ Public Policy 47500

Winter 2009, Tue & Thurs 10:30-11:50am

Course description: This course is an introduction to current research in political economics. The emphasis is on game-theoretic models that can be used to study the effects of different constitutional structures on the competitive behavior of politicians and the welfare-relevant performance of government.

Instructors: [Roger Myerson](#) and [Ethan Bueno de Mesquita](#).

COURSE OUTLINE

Social Choice and the Spatial Model

1. Muller-Satterwaite/Binary Agendas
 - Myerson, Roger. 1996. "Fundamentals of social choice theory" Sections 1.2-1.5 <http://home.uchicago.edu/~rmyerson/research/schch1.pdf>
2. The Median Voter Theorem and Probabilistic Voting
 - Myerson, Sections 1.6-1.7
 - Recommended:*
 - Gans, Joshua S. & Smart, Michael, 1996. "Majority Voting with Single-Crossing Preferences" *Journal of Public Economics* 59(2), pages 219-237.
 - Calvert, Randall. 1985. "Robustness of the Multidimensional Voting Model: Candidate Motivations, Uncertainty, and Convergence." *American Journal of Political Science* 29:69-95.
3. Valence Models
 - Aragonés, Enriqueta and Thomas R. Palfrey. 2002. "Mixed Equilibrium in a Downsian Model with a Favored Candidate." *Journal of Economic Theory* 103:131-161.
 - Groseclose, Timothy J. 2001. "A Model of Candidate Location When One Voter Has a Valence Advantage." *American Journal of Political Science* 45(4):862-886.
 - Recommended (models with endogenous valence)*
 - Ashworth, Scott and Ethan Bueno de Mesquita. Forthcoming. "Elections with Platform and Valence Competitions" *Games and Economic Behavior*.
 - Eyster, Erik and Thomas Kittsteiner. 2007. "Party platforms in electoral competition with heterogeneous constituencies." *Theoretical Economics* 2(1):41-70.

4. Candidates

- Besley, Timothy and Stephen Coate. 1997. "An Economic Model of Representative Democracy." *Quarterly Journal of Economics* 112(1):85-114.
- Myerson, Roger. 2008. "The Autocrat's Credibility Problem and Foundations of the Constitutional State." *American Political Science Review* 102:125-139.

Agency Models of Elections

5. Pure Moral Hazard and Signaling Models

- Ferejohn, John. 1986. "Incumbent Performance and Electoral Control." *Public Choice* 50: 5-26.
- Besley, Timothy. 2006. "Principled Agents? The Political Economy of Good Government." (Oxford: Oxford University Press). Chapter 3.
Recommended
 - Austen-Smith, David and Jeff Banks. 1989. "Electoral Accountability and Incumbency." In Peter Ordeshook [ed.] *Models of Strategic Choice in Politics* (Ann Arbor: University of Michigan Press).
 - Banks, Jeff. 1990. "A Model of Electoral Competition with Incomplete Information." *Journal of Economic Theory* 50:309-325.
 - Banks, Jeffrey S., and Rangarajan K. Sundaram. 1998. "Optimal Retention in Agency Problems." *Journal of Economic Theory* 82: 293–323.
 - Rogoff, Kenneth and Anne Sibert. 1988. "Elections and Macroeconomic Policy Cycles." *Review of Economic Studies* 55(1):1-16.

6. Adverse Selection and Moral Hazard: Signal Jamming/Career Concerns

- Ashworth, Scott and Ethan Bueno de Mesquita. 2008. "Delivering the Goods: Legislative Particularism in Different Electoral and Institutional Settings." *Journal of Politics* 68:168-179.
Recommended
 - Ashworth, Scott. 2005. "Reputational Dynamics and Congressional Careers." *Journal of Law, Economics, and Organization* 21:441-466.
 - Ashworth, Scott and Ethan Bueno de Mesquita. 2008. "Electoral Selection, Strategic Challenger Entry, and the Incumbency Advantage." *Journal of Politics* 70(4):1006-1025.
 - Lohmann, Susanne. 1998. "An Informational Rationale for the Power of Special Interests." *American Political Science Review* 92: 809–27.

7. Lobbying and Common Agency

- Dixit, Avinash, Gene Grossman, and Elhanan Helpman. 1997. "Common agency and Coordination: General theory and Applications to Government Policymaking." *Journal of Political Economy* 105: 752-769.
- Grossman, Gene and Elhanan Helpman. 1996. "Electoral competition and special interest politics." *Review of Economic Studies* 63:265-286.

8. Pandering

- Maskin, Eric and Jean Tirole. 2004. "The Politician and the Judge: Accountability in Government." *American Economic Review* 94(4): 1034-1054.

Recommended

- Canes-Wrone, Brandice, Michael C. Herron and Kenneth W. Shotts. 2001. "Leadership and Pandering: A Theory of Executive Policymaking" *American Journal of Political Science* 45(3): 532-550

Informational Models of Voting

9. Swing Voter's Curse

- Feddersen, Timothy and Wolfgang Pesendorfer. 1996. "The Swing Voter's Curse." *American Economic Review* 86(3): 408-424.

Comparative Electoral Systems

10. Strategic Voting and Electoral Systems

- Cox, Gary. 1994. "Strategic voting equilibria under single non-transferable vote." *American Political Science Review* 88:608-621
- Cox, Gary. 1987. "Electoral Equilibria Under Alternative Voting Institutions." *American Journal of Political Science* 31:82-108.
- Myerson, Roger. 1993. "Incentives to cultivate favored minorities under alternative electoral systems." *American Political Science Review* 87:856-869.

11. Alternative Electoral Systems

- Myerson, Roger 2006, "Bipolar multicandidate elections with corruption" *Scandinavian Journal of Economics* 108:727-742
- Iaryczower, Matias and Andrea Mattozzi. "Ideology and Competence in Alternative Electoral Systems." Caltech typescript.

Legislative Politics

12. Information Transmission under Alternative Legislative Rules

- Crawford, Vincent and Joel Sobel. 1982. "Strategic Information Transmission." *Econometrica* 50(6):1431-1451.
- Gilligan, Tom and Keith Krehbriel. 1989. "Organization of Informative Committees by a Rational Legislature." *American Journal of Political Science* 34:531-564.
- Battaglini, Marco. 2002. "Multiple Referrals and Multidimensional Cheap Talk." *Econometrica* 70(4): 1379-1401.

13. Legislative Bargaining

- Baron, John and John Ferejohn. 1989. "Bargaining in Legislatures." *American Political Science Review* 83:1181-1206.

14. Legislative Organization

- Diermeier, Daniel and Roger Myerson. 1999. "Bicameralism and its Consequences for the Internal Organization of Legislatures." *American Economic Review* 89:1182-1196.
- Diermeier, Daniel and Timothy Feddersen. 1998. "Cohesion in Legislatures and the Vote of Confidence Procedure." *American Political Science Review* 92: 611-621.

15. Elections and Legislation

- Austen-Smith, David and Jeff Banks. "Elections, Coalitions and Legislative Outcomes." *American Political Science Review* 82(2).

Endogenous Institutions and Institutional Stability

16. Property Rights

- Hafer, Catherine. 2006. "On the Origins of Property Rights: Conflict and Production in the State of Nature" *Review of Economic Studies* 73 (1).

17. Redistribution and the Revolutionary Threat

- Acemoglu, Daron and James Robinson. 2000. "Why did the West extend the franchise?" *Quarterly Journal of Economics* 115:1167-1199
- Lizzeri, Alessandro and Nicola Persico. 2004. "Why did the elites extend the suffrage?" *Quarterly Journal of Economics* 119:707-765

18. Microfoundations of the Revolutionary Threat

- Angeletos, George-Marios, Christian Hellwig and Alessandro Pavan. 2006. "Signaling in a Global Game: Coordination and Policy Traps." *Journal of Political Economy* 114(3).
- Fearon, James. "Self Enforcing Democracy." Stanford typescript.

19. The Selectorate Model

- Bueno de Mesquita, Bruce, Alastair Smith, Randolph Siverson, and James Morrow. *The Logic of Political Survival*. (Cambridge: MIT Press). Chapters 2 and 3.
- Bueno de Mesquita, Bruce and Alastair Smith. 2008. "Political Survival and Endogenous Institutional Change." *Comparative Political Studies*.

20. Federalism

- D. Epple and A. Zelenitz, "The implications of competition among jurisdictions: does Tiebout need politics?" *Journal of Political Economy* 89:1197-1217 (1981).
Recommended
 - A. Dixit and J. Londregan, "Fiscal federalism and redistributive politics," *J of Public Economics* 67:153-180 (1998).
 - Myerson, Roger. 2006. "Federalism and incentives for success of democracy" *Quarterly Journal of Political Science* 1:3-23.