

# 14.770: Introduction to Political Economy

Daron Acemoglu and Abhijit Banerjee with Alexey Makarin and Esther D

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This course is intended as an introduction to field of political economy. It is the first part of the two-part sequence in political economy, along with 14.773 which will be offered in the spring. Combined the purpose of the two classes is to give you both a sense of the frontier research topics and a good command of the tools in the area. The reading list is intentionally long, to give those of you interested in the field an opportunity to dig deeper into some of the topics in this area. The lectures will cover the material with \*'s in detail and also discuss the material without \*'s, but in less detail.

## **Grading:**

Class requirements:

- Problem sets (40% of grade). You may work in groups of maximum 2 students on the problem sets, and even then each of you must hand in your own solutions. There will be approximately 4-5 problem sets in total, covering a mix of theory and empirics.
- Final. (50% of grade).
- Class participation (10% of grade)

## **Course Information:**

*Professors*

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*Lecture*

Tuesday-Thursday 2:30-4:00 pm (E51-151)

*Recitation*

Friday 9:00-10:30 am (E51-372)

# 1 Voting

## 1.1 Introduction: The Median Voter Theorem (AB, September 8)

This first lecture introduces some basic notions from the theory of collective choice and the basic static voting models.

### *Single-peaked Preferences, Median Voter Theorem and Policy Convergence*

1. \* Persson, Torsten and Guido Tabellini. *Political Economics: Explaining Economic Policy*. Cambridge, Mass: MIT Press, 2000. Chapter 2, 3.1, 3.2, 3.3
2. Black, Duncan (1948). "On the Rationale of Group Decision-making." *Journal of Political Economy*, 56(1): 23-34.
3. Downs, Anthony (1957). "An Economic Theory of Political Action in a Democracy." *Journal of Political Economy*, 65(2): 135-150.

### *Efficiency and Majority Voting*

1. Krishna, Vijay and John Morgan (2015). "Majority Rule and Utilitarian Welfare." *American Economic Journal: Microeconomics*, 7(4):339-75.
2. Campbell, Colin M. (1999). "Large Electorates and Decisive Minorities." *Journal of Political Economy*, 107(6): 1199-1217.

### *Recitation: Arrow Impossibility Theorem*

1. Arrow, Kenneth. *Social Choice and Individual Values*, New York: John Wiley and Sons, 1951

## 1.2 When Voting Works and When It Doesn't: A First Look (DA, September 13)

This lecture will discuss conditions under which voting works in appropriately aggregating preferences and information.

1. \* Lindbeck, Assar, and Jorgen W. Weibull (1987). "Balanced-Budget Redistribution as the Outcome of Political Competition", *Public Choice* 52 (3), pp. 273-297.

2. Myerson, Roger B. and Robert J. Weber (1993). "A Theory of Voting Equilibria", *American Political Science Review* 87 (1), pp. 102-114.
3. Austen-Smith, David (1991). "Rational Consumers and Irrational Voters: A Review Essay on *Black Hole Tariffs and Endogenous Policy Theory*, by Stephen Magee, William Brock and Leslie Young, Cambridge University Press 1989", *Economics and Politics* 3 (1), pp. 73-92.
4. Palfrey, Thomas R. and Howard Rosenthal (1985). "Voter Participation and Strategic Uncertainty", *American Political Science Review* 79 (1), pp. 62-78.
5. \* Feddersen, Timothy and Wolfgang Pesendorfer (1998). "Convicting the Innocent: The Inferiority of Unanimous Jury Verdicts under Strategic Voting", *American Political Science Review* 92 (1), pp. 23-35.
6. \* Feddersen, Timothy and Wolfgang Pesendorfer (1996). "The Swing Voter's Curse", *American Economic Review* 86 (3), pp. 408-424.
7. Fey, Mark and Jaehoon Kim (2002). "The Swing Voter's Curse: Comment", *American Economic Review*, 92 (4), pp. 1264-1268.
8. Martinelli, César (2001). "Elections with Privately Informed Parties and Voters", *Public Choice* 108 (1-2), pp. 147-167.
9. \* Battaglini, Marco, Rebecca B. Morton and Thomas R. Palfrey (2008). "Information Aggregation and Strategic Abstention in Large Laboratory Elections", *American Economic Review* 98 (2), pp. 194-200.
10. Battaglini, Marco, Rebecca B. Morton and Thomas R. Palfrey (2010). "The Swing Voter's Curse in the Laboratory", *Review of Economic Studies* 77 (1), pp. 61-89.

### 1.3 Votes and Political Decisions in Practice (DA, September 15 and 20)

These two lectures provide some evidence on how people vote, the extent to which the predictions of some basic models of voting are borne out, and the motives, strategic or otherwise, of voters.

#### *Why and How Do Voters Vote?*

1. \* Spenkuch, Jörg L. (2018). "Expressive vs. Pivotal Voters: An Empirical Assessment", *Journal of Public Economics*, 165, 73-81.
2. \* Fujiwara, Thomas (2011). "A Regression Discontinuity Test of Strategic Voting and Duverger's Law", *Quarterly Journal of Political Science* 6, pp. 197-233.

3. Coate, Stephen, Michael Conlin and Andrea Moro (2008). "The Performance of Pivotal-Voter Models in Small-Scale Elections: Evidence from Texas Liquor Referenda", *Journal of Public Economics* 92 (3-4), pp. 582-596.
4. Degan, Arianna and Antonio Merlo (2009). "Do Voters Vote Ideologically?", *Journal of Economic Theory* 144 (5), pp. 1868-1894.
5. Harsanyi, John C. (1980). "Rule Utilitarianism, Rights, Obligations and the Theory of Rational Behavior", *Theory and Decision* 12 (2), pp. 115-133.
6. Feddersen, Timothy and Alvaro Sandroni (2006). "A Theory of Participation in Elections", *American Economic Review* 96 (4), pp. 1271-1282.
7. \* DellaVigna, Stefano, John A. List, Ulrike Malmendier and Gautam Rao (2017). "Voting to Tell Others", *Review of Economic Studies* 84 (1), pp. 143-181.
8. \* Gerber, Alan S., Donald P. Green and Ron Shachar (2003). "Voting May Be Habit-Forming: Evidence from a Randomized Field Experiment", *American Journal of Political Science* 47(3), pp. 540-550.
9. Gerber, Alan S., Donald P. Green, and Christopher W. Larimer (2008). "Social Pressure and Voter Turnout: Evidence from a Large-Scale Field Experiment", *American Political Science Review* 102(1), pp. 33-48.
10. Nickerson, David W. (2008). "Is Voting Contagious? Evidence from Two Field Experiments", *American Political Science Review* 102(1), pp. 49-57.

*Do Parties and Policies Converge to the Middle?*

1. \* Lee, David S., Enrico Moretti and Matthew J. Butler (2004). "Do Voters Affect or Elect Policies? Evidence from the U.S. House", *Quarterly Journal of Economics* 119 (3), pp. 807-859.
2. \* Pettersson-Lidbom, Per (2008). "Do Parties Matter for Economic Outcomes? A Regression-Discontinuity Approach", *Journal of the European Economic Association* 6 (5), pp. 1037-1056.
3. Levitt, Steven D. (1996). "How Do Senators Vote? Disentangling the Rate of Voter Preferences, Party Affiliation, and Senator Ideology", *American Economic Review* 86 (3), pp. 425-441.
4. Mian, Atif, Amir Sufi, and Francesco Trebbi (2010). "The Political Economy of the US Mortgage Default Crisis", *American Economic Review* 100 (5), pp. 1967-98.

### *Do Policies Reflect Voter Preferences?*

1. \* Miller, Grant (2008). “Women’s Suffrage, Political Responsiveness, and Child Survival in American History”, *Quarterly Journal of Economics* 123 (3), pp. 1287-1327.
2. Lott, Jr., John R. and Lawrence W. Kenny (1999). “Did Women’s Suffrage Change the Size and Scope of Government?”, *Journal of Political Economy* 107 (6), pp. 1163-1198.
3. Husted, Thomas A. and Lawrence W. Kenny (1997). “The Effect of the Expansion of the Voting Franchise on the Size of Government”, *Journal of Political Economy* 105 (1), pp. 54-82.
4. \* Acemoglu, Daron, Suresh Naidu, Pascual Restrepo and James A. Robinson (2015). “Democracy, Redistribution, and Inequality”, Chapter 21 in *Handbook of Income Distribution, Volume 2*, edited by Anthony B. Atkinson and François Bourguignon, Elsevier.
5. \* Fujiwara, Thomas (2015). “Voting Technology, Political Responsiveness, and Infant Health: Evidence from Brazil”, *Econometrica* 83 (2), pp. 423-464.
6. Card, David and Enrico Moretti (2007). “Does Voting Technology Affect Election Outcomes? Touch-Screen Voting and the 2004 Presidential Election”, *Review of Economics and Statistics* 89 (4), pp. 660-673.
7. \* Achen, Christopher H., and Larry M. Bartels (2016). *Democracy for Realists: Why Elections Do Not Produce Responsive Government*, Princeton University Press.

## **1.4 Election Politics Gone Wrong: Lobbying, Vote Buying, Clientelism, Coercion, and Populism (DA, September 22, 27, 29, and October 4)**

In this block of lectures, we discuss how the democratic process is often distorted because of the powerful agents and groups exerting undue power via lobbying, vote buying, direct coercion, and patron-client relationships, as well as the possibility that populist dynamics or extremism via social media undermines democratic politics.

### *Lobbying and Vote Buying*

1. \* Grossman, Gene and Elhanan Helpman (1994). “Protection for Sale”, *American Economic Review* 84 (4), pp. 833-850.
2. \* Baron, David P. (1994). “Electoral Competition with Informed and Uninformed Voters”, *American Political Science Review* 88 (1), pp. 33-47.

3. \* Groseclose, Tim and James M. Snyder, Jr. (1996). "Buying Supermajorities", *American Political Science Review* 90 (2), pp. 303-315.
4. Dekel, Eddie, Matthew O. Jackson, and Asher Wolinsky (2008). "Vote Buying: General Elections", *Journal of Political Economy* 116 (2), pp. 351-380.
5. \* Blanes i Vidal, Jordi, Mirko Draca and Christian Fons-Rosen (2012). "Revolving Door Lobbyists", *American Economic Review* 102 (7), pp. 3731-48.
6. \* Bertrand, Marianne, Matilde Bombardini, and Francesco Trebbi (2014). "Is It Whom You Know or What You Know? An Empirical Assessment of the Lobbying Process", *American Economic Review* 104 (12), pp. 3885-3920.
7. Bombardini, Matilde, and Francesco Trebbi (2011). "Votes or Money? Theory and Evidence from the US Congress." *Journal of Public Economics* 95 (7-8), pp. 587-611.
8. Bartels, Larry M. (2008). *Unequal Democracy: The Political Economy of a New Gilded Age*, Princeton University Press.
9. Gilens, Martin (2012). *Affluence and Influence: Economic Inequality and Political Power in America*, Princeton University Press.
10. Gawande, Kishore, and Usree Bandyopadhyay (2000). "Is Protection for Sale? Evidence on the Grossman-Helpman Theory of Endogenous Protection", *Review of Economics and Statistics* 82 (1), pp. 139-152.
11. Goldberg, Pinelopi Koujianou and Giovanni Maggi (1999). "Protection for Sale: An Empirical Investigation", *American Economic Review* 89 (5), pp. 1135-1155.
12. Kerr, William R., William F. Lincoln and Prachi Mishra (2014). "The Dynamics of Firm Lobbying", *American Economic Journal: Economic Policy* 6 (4), pp. 343-379.
13. Ansolabehere, Stephen, John M. de Figueiredo, and James M. Snyder Jr. (2003). "Why Is There So Little Money in U.S. Politics?", *Journal of Economic Perspectives* 17 (1), pp. 105-130.

#### *Clientelism, Patronage and Coercion*

1. \* Lizzeri, Alessandro and Nicola Persico (2005). "A Drawback of Electoral Competition", *Journal of the European Economic Association* 3 (4), pp. 1318-1348.
2. \* Finan, Frederico and Laura Schechter (2012). "Vote-Buying and Reciprocity", *Econometrica* 80 (2), pp. 863-881.

3. Nichter, Simeon (2008). "Vote Buying or Turnout Buying? Machine Politics and the Secret Ballot", *American Political Science Review* 102 (1), pp. 19-31.
4. \* Anderson, Siwan, Patrick François and Ashok Kotwal (2015). "Clientelism in Indian Villages", *American Economic Review* 105(6), pp. 1780-1816.
5. \* Larreguy, Horacio A. (2013). "Monitoring Political Brokers: Evidence from Clientelistic Networks in Mexico", *EPSA 2013 Annual General Conference Paper* (Vol. 655).
6. \* Baland, Jean-Marie and James A. Robinson (2008). "Land and Power: Theory and Evidence from Chile", *American Economic Review* 98 (5), pp. 1737-1765.
7. \* Folke, Olle, Shigeo Hirano and James M. Snyder Jr. (2011). "Patronage and Elections in U.S. States", *American Political Science Review* 105 (3), pp. 567-585.
8. de Kadt, Daniel and Horacio A. Larreguy (2017). "Agents of the Regime? Traditional Leaders and Electoral Behavior in South Africa", *The Journal of Politics*, 80(2), 382-399.
9. Martinez-Bravo, Monica (2014). "The Role of Local Officials in New Democracies: Evidence from Indonesia", *American Economic Review* 104 (4), pp. 1244-1287.

### *Populism*

1. Dornbusch, Rudiger and Sebastian Edwards (1991). *The Macroeconomics of Populism in Latin America*, University of Chicago Press.
2. Judis, John B. (2016). *The Populist Explosion: How the Great Recession Transformed American and European Politics*, Columbia Global Reports.
3. Autor, David , David Dorn, Gordon Hanson, and Kaveh Majlesi (2020). "Importing Political Polarization? The Electoral Consequences of Rising Trade Exposure." *American Economic Review*, 110(10): 3139-83.
4. \* Guiso, Luigi, Helios Herrera, Massimo Morelli and Tommaso Sonno (2017). "Demand and Supply of Populism", mimeo. Available at SSRN: <https://ssrn.com/abstract=2924731>
5. Berman, Sheri (2021). "The Causes of Populism in the West" *Annual Review of Political Science* 24: 71-88.
6. \* Rodrik, Dani (2021). "Why Does Globalization Fuel Populism? Economics, Culture and the Rise of Rise-wing Populism" *Annual Review of Economics* 13: 133-170.

7. \* Guriev, Sergei and Elias Papaioannou (2022). “The Political Economy of Populism” forthcoming *Journal of Economic Literature*.
8. \* Acemoglu, Daron, Georgy Egorov and Konstantin Sonin (2013). “A Political Theory of Populism”, *Quarterly Journal of Economics* 128 (2), pp. 771-805.
9. \* Shayo, Moses (2009). “A Model of Social Identity with an Application to Political Economy: Nation, Class, and Redistribution” *American Political Science Review* 103(2): 147-174.
10. Bonomi, Giampaolo, Nicola Gennaioli, and Guido Tabellini (2021). “Identity, Beliefs, and Political Conflict”. *Quarterly Journal of Economics* 136(4): 2371-2411.
11. Grossman, Gene and Elhanan Helpman (2021). “Identity Politics and Trade Policy” *Review of Economic Studies* 88(3): 1101-1126.

## 1.5 Social Media (AM, October 6)

This lecture will focus on the effects of social media on politics, extremism and collective action.

### *Overview*

1. \* Zhuravskaya, Ekaterina, Maria Petrova, and Ruben Enikolopov (2020). “Political effects of the internet and social media.” *Annual Review of Economics* 12: 415-438.

### *Social Media in Autocracies*

1. \* Enikolopov, Ruben, Alexey Makarin, and Maria Petrova (2020). “Social media and protest participation: Evidence from Russia,” *Econometrica*, 88(4): 1479–1514.
2. Fergusson, L., and Molina, C. (2019). “Facebook causes protests,” Documento Cede No. 2019–41.

### *Social Media in Democracies*

1. \* Levy, Ro’ee (2021). “Social Media, News Consumption and Polarization: Evidence from a Field Experiment” *American Economic Review* 111(3): 831-70.
2. Fujiwara, Thomas, Karsten Müller, and Carlo Schwarz (2021). “The effect of social media on elections: Evidence from the United States”, *National Bureau of Economic Research Working Paper No. w28849*.



3. Bessone, Pedro, Filipe R. Campante, Claudio Ferraz, and Pedro Souza (2022). “Social Media and the Behavior of Politicians: Evidence from Facebook in Brazil”, *National Bureau of Economic Research Working Paper No. w30306*.

### *Social Media and Individual Well-Being*

1. \* Allcott, Hunt, Luca Braghieri, Sarah Eichmeyer, and Matthew Gentzkow (2022). “The welfare effects of social media.” *American Economic Review* 110, no. 3: 629-76.
2. Allcott, Hunt, Matthew Gentzkow, and Lena Song (2022) “Digital addiction.” *American Economic Review* 112 no. 7: 2424-63.
3. Braghieri, Luca, Ro’ee Levy, and Alexey Makarin (2022). “Social media and mental health.” *American Economic Review*, forthcoming.
4. Bail, Christopher A., Lisa P. Argyle, Taylor W. Brown, John P. Bumpus, Hao-han Chen, MB Fallin Hunzaker, Jaemin Lee, Marcus Mann, Friedolin Merhout, and Alexander Volfovsky (2018). “Exposure to Opposing Views on Social Media Can Increase Political Polarization” *Proceedings of the National Academy of Sciences* 115(37): 9216-9221.
5. Allcott, Hunt, Matthew Gentzkow, and Chuan Yu (2019). “Trends in the Diffusion of Misinformation on Social Media” *Research & Politics* , 6(2), 2053168019848554.
6. Guess, Andrew M., Brendan Nyhan, and Jason Reifler (2020). “Exposure to Untrustworthy Websites in the 2016 US Election” *Nature Human Behavior*, 4(5): 472-480.
7. Pennycook, Gordon, and David G. Rand (2021). “The Psychology of Fake News” *Trends in Cognitive Sciences*, 25(5): 388-402.
8. \* Acemoglu, Daron, Asuman Ozdaglar, and James Siderius (2022). “A Model of Online Misinformation” *National Bureau of Economic Research Working Paper No. w28884*.
9. Acemoglu, Daron (2022). “Harms of AI” forthcoming *Handbook of AI Governance*.

## **2 Politicians**

### **2.1 Political Agency (DA, October 13)**

In this lecture, we introduce the notion of political agency whereby decision-making powers delegated to elect politicians who are then controlled by voters through the democratic process.

1. Barro, Robert J. (1973). "The Control of Politicians: An Economic Model", *Public Choice* 14, pp. 19-42.
2. \* Ferejohn, John (1986). "Incumbent Performance and Electoral Control", *Public Choice* 50 (1), pp. 5-25.
3. Banks, Jeffrey S. and Rangarajan K. Sundaram (1998). "Optimal Retention in Agency Models", *Journal of Economic Theory* 82 (2), pp. 293-323.
4. \* Acemoglu, Daron, Michael Golosov and Aleh Tsyvinski (2008). "Political Economy of Mechanisms", *Econometrica* 76 (3), pp. 619-641.
5. Myerson, Roger B. (2015). "Moral Hazard in High Office and the Dynamics of Aristocracy", *Econometrica* 83 (6), pp. 2083-2126.
6. \* Ferraz, Claudio and Frederico Finan (2008). "Exposing Corrupt Politicians: The Effects of Brazil's Publicly Released Audits on Electoral Outcomes", *Quarterly Journal of Economics* 123 (2), pp. 703-745.
7. \* Ferraz, Claudio and Frederico Finan (2011). "Motivating Politicians: The Impacts of Monetary Incentives on Quality and Performance", mimeo. Available at: [https://eml.berkeley.edu/~ffinan/Finan\\_MPoliticians.pdf](https://eml.berkeley.edu/~ffinan/Finan_MPoliticians.pdf)  
Besley, Timothy and Anne Case (1995). "Does Electoral Accountability Affect Economic Policy Choices? Evidence from Gubernatorial Term Limits", *Quarterly Journal of Economics* 110 (3), pp. 769-798.
8. \* Dal Bó, Ernesto and Martín A. Rossi (2011). "Term Length and the Effort of Politicians", *Review of Economic Studies* 78 (4), pp. 1237-1263.

## 2.2 Political Agency Gone Wrong (DA, October 18 and 20)

This lecture shows how, in contrast to the theoretical benchmark of well-functioning political agency, in much of the world politicians are able to manipulate the election process and thwart democratic control mechanisms.

1. \* Albertus, Michael and Victor Menaldo (2014). "Gaming Democracy: Elite Dominance During Transition and the Prospects for Redistribution", *British Journal of Political Science* 44 (3), pp. 575-603.
2. \* Acemoglu, Daron, Thierry Verdier and James A. Robinson (2004). "Kleptocracy and Divide-and-Rule: A Model of Personal Rule", The Alfred Marshall Lecture, *Journal of the European Economic Association Papers and Proceedings* 2 (2-3), pp. 162-192.

3. \* Padro í Miquel, Gerard (2008). “The Control of Politicians in Divided Societies: Politics of Fear”, *Review of Economic Studies* 74 (4), pp. 1259-1274.
4. Dixit, Avinash, Gene M. Grossman and Elhanan Helpman (1997). “Common Agency and Coordination: General Theory and Application to Government Policy Making”, *Journal of Political Economy* 105 (4), pp. 752-769.
5. Acemoglu, Daron, Georgy Egorov and Konstantin Sonin (2010). “Political Selection and Persistence of Bad Governments”, *Quarterly Journal of Economics* 125 (4), pp. 1511-1576.
6. Acemoglu, Daron, James A. Robinson and Ragnar Torvik (2013). “Why Do Voters Dismantle Checks and Balances?”, *Review of Economic Studies* 80 (3), pp. 845-875.
7. \* Anderson, Siwan and Patrick François (2017). “Reservations and the Politics of Fear”, mimeo. Available at: [https://economics.yale.edu/sites/default/files/reservations\\_bread\\_may17.pdf](https://economics.yale.edu/sites/default/files/reservations_bread_may17.pdf)
8. \* Acemoglu, Daron, Tristan Reed and James A. Robinson (2014). “Chiefs: Economic Development and Elite Control of Civil Society in Sierra Leone”, *Journal of Political Economy* 122 (2), pp. 319-368.

### 3 Policies: Economic Policy under Representative Democracy (DA, October 25)

In this lecture, we discuss two different approaches to economic policy on the representative democracy: legislative bargaining and policy competition with political agency.

1. Rubinstein, Ariel (1982). “Perfect Equilibrium in a Bargaining Model”, *Econometrica* 50 (1), pp. 97-109.
2. \* Baron, David P. and John A. Ferejohn (1989). “Bargaining in Legislatures”, *American Political Science Review* 83 (4), pp. 1181-1206.
3. Bernheim, B. Douglas, S. Nageeb Ali and Xiaochen Fan (2019). “Predictability and Power in Legislative Bargaining”, *Review of Economic Studies*, 86(2), 500-525.
4. Banks, Jeffrey S. and John Duggan (2000). “A Bargaining Model of Collective Choice”, *American Political Science Review* 94 (1), pp. 73-88.
5. Bernheim, B. Douglas, Antonio Rangel and Luis Rayo (2006). “The Power of the Last Word in Legislative Policy Making”, *Econometrica* 74 (5), pp. 1161-1190.
6. Cox, Gary W. (1997). *Making Votes Count: Strategic Coordination in the World’s Electoral Systems*, Cambridge University Press.

7. \* Persson, Torsten, Gérard Roland and Guido Tabellini (1997). "Separation of Powers and Political Accountability", *Quarterly Journal of Economics* 112 (4), pp. 1163-1202.
8. \* Persson, Torsten, Gérard Roland and Guido Tabellini (2000). "Comparative Politics and Public Finance", *Journal of Political Economy* 108 (6), pp. 1121-1161.
9. Grossman, Gene M. and Elhanan Helpman (1996). "Electoral Competition and Special Interest Politics", *Review of Economic Studies* 63 (2), pp. 265-286.
10. Persson, Torsten and Guido Tabellini (2003). *The Economic Effects of Constitutions*, MIT Press.
11. \* Acemoglu, Daron (2005). "Constitutions, Politics, and Economics: A Review Essay on Persson and Tabellini's the Economic Effects of Constitutions", *Journal of Economic Literature* XLIII, pp. 1025-1048.

## 4 Back to Politicians

### 4.1 Citizen Candidate Models (AB, October 27; Duflo, November 1)

*Are Politicians' Views Fixed or Malleable?*

1. \* Lee, David S., Enrico Moretti, and Matthew J. Buttlar (2004). "Do Voters Affect or Elect Policies? Evidence from the U.S. House." *The Quarterly Journal of Economics*, 119(3): 807-859.
2. \* Levitt, Steven D. (1996). "How Do Senators Vote? Disentangling the Role of Voter Preferences, Party Affiliation, and Senator Ideology." *The American Economic Review*, 86(3): 425-441.
3. Alesina, Alberto (1988). "Credibility and Policy Convergence in a Two-Party System with Rational Voters." *The American Economic Review*, 78(4), 796-805.
4. Jones, Benjamin F. and Benjamin A. Olken (2005). "Do Leaders Matter? National Leadership and Growth Since World War II." *The Quarterly Journal of Economics*, 120(3): 835 -864.

*Citizen Candidate Models and the Failure of the Median Voter Theorem*

1. \* Besley, Timothy and Stephen Coate (1997). “An Economic Model of Representative Democracy.” *The Quarterly Journal of Economics*, 112(1): 85-114.
2. \* Osborne, Martin J. and Al Slivinski (1996). “A Model of Political Competition with Citizen-Candidates.” *The Quarterly Journal of Economics*, 111(1): 65-96.
3. Persson, Torsten and Guido Tabellini (2002). *Political Economics: Explaining Economic Policy*. MIT Press, Chapter 5.1-5.3.

#### *Empirical Support for Citizen Candidate Models*

1. \* Chattopadhyay, Raghendra and Esther Duflo (2004). “Women as Policy Makers: Evidence from a Randomized Policy Experiment in India.” *Econometrica*, 72(5): 1409-1443.
2. Pande, Rohini (2003). “Can Mandated Political Representation Increase Policy Influence for Disadvantaged Minorities? Theory and Evidence from India.” *American Economic Review*, 93(4): 1132-1151.

## **5 Policies: Political Compromise (DA, November 3)**

This lecture will discuss how dynamic interactions can lead to political compromise between different groups or parties (both in democratic and nondemocratic environments) and what the limits of this type of political compromise are.

1. \* Alesina, Alberto (1987). “Macroeconomic Policy in a Two-Party System as a Repeated Game”, *Quarterly Journal of Economics* 102 (3), pp. 651-678.
2. Dixit, Avinash, Gene M. Grossman and Faruk Gul (2000). “The Dynamics of Political Compromise”, *Journal of Political Economy* 108 (3), pp. 531-568.
3. McGuire, Martin C. and Mancur Olson (1996). “The Economics of Autocracy and Majority Rule: The Invisible Hand and the Use of Force”, *Journal of Economic Literature*, 34(1), 72-96.
4. de la Sierra, Raúl Sánchez (2017). “On the Origins of the State: Stationary Bandits and Taxation in Eastern Congo”, *Journal of Political Economy*, 128(1), 000-000.
5. \* Acemoglu, Daron, Mikhail Golosov and Aleh Tsyvinski (2010). “Power Fluctuations and Political Economy”, , *Journal of Economic Theory* 146 (3), pp. 1009-1041.

## 6 Back to Voting

### 6.1 Multidimensional Voting (AB, November 8)

1. Shepsle, Kenneth A. (1979). "Institutional Arrangements and Equilibrium in Multi-dimensional Voting Models." *American Journal of Political Science*, 23(1): 27-59.
2. \* Alesina, Alberto, Reza Baqir, and William Easterly (1999). "Public Goods and Ethnic Divisions," *The Quarterly Journal of Economics*, 114(4): 1243-84.
3. \* Levy, Gilat (2005). "The Politics of Public Provision of Education." *The Quarterly Journal of Economics*, 120(4): 1507-1534.
4. Fernández, Raquel and Gilat Levy (2008). "Diversity and redistribution." *Journal of Public Economics*, 92(5-6): 925-943.
5. \* Lizzeri, Alessandro and Nicola Persico (2005). "A Drawback of Electoral Competition." *Journal of the European Economic Association*, 3(6): 1318-1348.
6. \* Myerson, Roger B. (1993). "Effectiveness of Electoral Systems for Reducing Government Corruption: A Game Theoretic Analysis." *Games and Economic Behavior*, 5(1): 118-132.
7. \* Banerjee, Abhijit and Rohini Pande (2011). "Parochial Politics: Ethnic Preferences and Political Corruption.", Mimeo, Harvard University.
8. Munshi, Kaivan and Mark Rosenzweig (2011). "The Efficacy of Parochial Politics: Caste, Commitment, and Competence in Indian Local Governments." Mimeo, Yale University.

### 6.2 Do Voters Have the Information They Need and Use It? (AB, November 10 and 15)

1. \* Persson, Torsten and Guido Tabellini (2002). *Political Economics: Explaining Economic Policy*. MIT Press, Chapter 4.
2. Barro, Robert J. (1973). "The Control of Politicians: An Economic Model." *Public Choice*, 14: 19-42.
3. Ferejohn, John (1986). "Incumbent Performance and Electoral Control." *Public Choice*, 50(1/3): 5-25.
4. Caselli, Francesco, Thomas E. Cunningham, Massimo Morelli and Inés Moreno de Barreda (2012). "Signaling, Incumbency Advantage and Optimal Reelection Thresholds." *NBER Working Paper No. 17833*.

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## 9 Bureaucracy

### 9.1 Formation of Bureaucracy (AB, December 1 and 6)

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#### *Selection of Bureaucrats*

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## **9.2 Corruption (AB, December 8 and 13)**

### *What is Corruption: Conceptual Issues and Measurement Strategies*

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### *The Official’s Decision to Be Corrupt: Wages, Incentives, and Selection*

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