

# ECO/PSC 582 Political Economy II

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Spring 2011, Rochester

**Lectures:** TBA.

**Office Hours:** By appointment, or drop by my office.

**Course Outline:** This course, a companion to ECO/PSC 575, will focus on surveying and discussing applications of dynamic models to political economy. Studying political dynamics helps to better align applied theory with important observed phenomena and to gather insight into the mechanics of the models we work with. Examples of topics covered are: dynamic electoral competition and extensions (or failures) of median voter theorems; dynamic legislative bargaining and the evolution (or unraveling) of compromise; sequential elections and the formation (or not) of bandwagons. Lectures will consist of working through important 'classic' papers as well as interesting new research and results. Emphasis on particular topics may vary with the configuration of class interests. Ideally, the class will serve as a vehicle for students to develop new research projects.

We will focus mostly on infinite-horizon models. This is not because finite extensive-form games cannot be useful to understand political dynamics. I see this course as being as much

incomplete. I have included mostly those papers I think we may cover. Depending on class interests, we can be flexible with respect to the topics and papers covered as well as the order in

### **3 Dynamic Public Goods Provision**

Policy-makers anticipating that their replacements may not share their preferences can distort current public goods provision to 'tie the hands' of future decision-makers.

Battaglini and Coate (2007), Battaglini and Coate (2008), Bai and Laguno (2010), Azzimonti (2011).

### **4 Dynamic Institutional Choice/Change**

The choice of political institutions gets a lot richer in a dynamic setting. Beneficial institutional change in the current environment can be blocked by agents which fear these new rules facilitate further transitions towards undesirable institutions in the future.

Acemoglu and Robinson (2000), Acemoglu and Robinson (2001), Acemoglu and Robinson (2008), Acemoglu et al. (2008), Acemoglu et al. (2009), Fernandez and Rodrik (1991), Jack and Laguno (2006), Laguno (2009), Lizzeri and Persico (2004), Martinelli and Escorza (2007).

### **5 Dynamic Political Agency**

Principal-agent models can be adapted to study the provision of incentives to politicians. This usually requires imposing suitable (a) restrictions on the space of contracts 'offered' by the voters or (b) assumptions on politician's types and effort technology.

#### **5.1 Retrospective Voting and Politician Screening**

Ferejohn (1986), Banks and Sundaram (1993), Banks and Sundaram (1998), Schwabe (2009)

#### **5.2 Preventing Disasters and Crises**

Myerson (2007), Myerson (2008), Biais et al. (2010).

#### **5.3 Lobbying and Common Agency**

Bergemann and Valimaki (2003)

### **6 Political Experimentation/Learning**

## 6.1 Campaigns and Voter Learning

Gul and Pesendorfer (2010).

## 6.2 Policy Choice and Government Experimentation

Callander (2009), Strulovici (2009), Keppo and Smith (2008)

# 7 Sequential Elections

What differences should we expect in electoral outcomes when voters can observe the votes of their predecessors before heading to the polls? In light of models of 'rational herding', should 'electoral bandwagons' form?

Dekel and Piccione (2000), Callander (2007), Nageeb and Kartik (2010), Battaglini (2005).

## References

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