

Political Economics II – Quarter 3, 2024

Objectives

This course gives a selective introduction to modern political economics and its purpose is to equip the students with a set of common research tools. Specifically, the course introduces basic theoretical models, empirical methodologies, and substantive findings in political economics. It covers not only theoretical and empirical research as such, but also – and importantly – links between the two.

This basic course is followed in Quarter 4 by Political Economics III, a course where students and a number of faculty members discuss recent working papers on a few selected topics at the current research frontier.

Schedule and examination

The course has eight three-hour lectures. It also includes a number of theoretical and empirical exercises that will be discussed in separate sessions. Examination is based on a written exam.

Teachers

Lectures In Political Economics II are given by Torsten Persson and David Strömberg and classes around the problem sets are held by Mattias Folkestad and Jens Oehlen.

Reading list and organization of the course

Background

*Chapters 1 and 2 in Persson, Torsten and Guido Tabellini [2000], *Political Economics: Explaining Economic Policy*, MIT Press (called P-T 2000 in the following).

Merlo, Antonio [2006], “Whither Political Economy? Theories, Facts and Issues,” in Blundell, Richard, Whitney Newey and Torsten Persson (eds.) *Advances in Economics and Econometrics Theory and Applications, Ninth World Congress, Vol I*, Cambridge University Press, available at <http://www.eswc2005.com/>

Besley, Timothy [2006], *Principled Agents? Lectures on the Political Economy of Good Government*, Oxford University Press available at http://econ.lse.ac.uk/staff/tbesley/index_own.html#book

Part I, Lectures 1-3, Electoral Competition and Voter Behavior

Basic electoral competition models

*Chapter 3 and 7 in P-T 2000.

Baron, David [1994], "Electoral competition with informed and uninformed voters," *American Political Science Review* 88: 33-47

Ledyard, John [1984], "The pure theory of large two-candidate elections," *Public Choice* 44: 4-71.

Lindbeck, Assar and Jörgen Weibull [1987], "Balanced-budget redistribution as the outcome of political competition," *Public Choice* 52: 195-209.

Empirics

Ashenfelter, Orley, Colm Harmon, and Hessel Oosterbeek [1999], "A review of estimates of the schooling/earnings relationship, with tests for publication bias," *Labour Economics* 6: 453-470.

Ashenfelter, Orley and Stanley Kelley Jr. [1975], "Determinants of participation in presidential elections," *Journal of Law and Economics* 18: 695-733.

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De La O, Ana [2013], "Do conditional cash transfers affect electoral behavior? Evidence from a randomized experiment in Mexico," *American Journal of Political Science* 57: 1-14.

Delli Carpini, Michael and Scott Keeter [1996], *What Americans Know about Politics and Why It Matters*, Yale University Press.

*Enke, Benjamin [2020], "Moral values and voting," *Journal of Political Economy* 128: 3679-3729.

Finan, Frederico, and Laura Schechter [2012], "Vote-buying and reciprocity," *Econometrica* 80: 863-881.

Fujiwara, Thomas [2015], "Voting technology, political responsiveness, and infant health: Evidence from Brazil," *Econometrica* 83: 423-464.

Gerber, Alan, and Neil Malhotra [2008], "Do statistical reporting standards affect what is published? Publication bias in two leading political science journals," *Quarterly Journal of Political Science* 3: 313-326.

*Healy, Andrew J., Mikael Persson, and Erik Snowberg [2017], "Digging into the pocketbook: Evidence on economic voting from income registry data matched to a voter survey," *American Political Science Review* 111: 771-785.

*Husted, Thomas and Lawrence Kenny [1997], "The effects of the expansion of the voting franchise on the size of government," *Journal of Political Economy* 105: 54-81. JSTOR

- Imai, Kosuke et al. [2016], "Do nonpartisan programmatic policies have partisan electoral effects? Evidence from two large scale randomized experiments," *American Journal of Political Science* 351: 303-341.
- Labonne, Julien [2013], "The local electoral impacts of conditional cash transfers: Evidence from a field experiment," *Journal of Development Economics* 104: 73-88.
- Levitt, Steven and James Snyder [1997], "The impact of federal spending on House election outcomes," *Journal of Political Economy* 105: 30-53.
- Lindert, Peter H. [1994], "The rise of social spending, 1880-1930", *Explorations in Economic History* 31: 1-37.
- Lindert, Peter H [1996], "What limits social spending?" *Explorations in Economic History* 33.1: 1-34.
- *Lindgren, Karl-Oskar, Sven Oskarsson, and Mikael Persson [2019], "Enhancing electoral equality: Can education compensate for family background differences in voting participation?" *American Political Science Review* 113: 108-122.
- *Lott, John and Lawrence Kenny [1999], "How dramatically did women's suffrage change the size and scope of government?" *Journal of Political Economy* 107: 1163-1198.
- *Johansson, Eva [2003], "Intergovernmental grants as a tactical instrument: Some empirical evidence from Swedish municipalities," *Journal of Public Economics* 87: 883-915.
- *Manacorda, Marco, Edward Miguel, and Andrea Vigorito [2011], "Government transfers and political support," *American Economic Journal: Applied Economics* 3: 1-28.
- Markus, Gregory [1988], "The impact of personal and national economic conditions on the presidential vote: A pooled cross-section analysis," *American Journal of Political Science* 32: 137-154.
- *Miller, Grant [(2008)], "Women's suffrage, political responsiveness, and child survival in American history," *Quarterly Journal of Economics* 123: 1287-1327.
- Pop-Eleches, Cristian, and Grigore Pop-Eleches [2012], "Targeted government spending and political preferences," *Quarterly Journal of Political Science* 7: 285-320.
- Rodriguez, Francisco R. [1999], "Does distributional skewness lead to redistribution? Evidence from the United States," *Economics and Politics* 11: 171-199.
- *Shayo, Moses [2009], "A model of social identity with an application to political economy: Nation, class, and redistribution," *American Political Science Review* 103: 147-174.
- Stokes, Susan C. [2005], "Perverse accountability: A formal model of machine politics with evidence from Argentina," *American Political Science Review* 99: 315-325.
- *Strömberg, David [2004], "Radio's impact on public spending," *Quarterly Journal of Economics* 119: 189-221.
- Wolfinger, Raymond and Steven Rosenstone [1980], *Who Votes?*, Yale University Press.

Part II, Lectures 4-6, Partisan Politics and Political Agency

Basic partisan, agenda-setting, and legislative-bargaining models

*Chapter 5 and 7 in P-T 2000.

Alesina, Alberto [1988], "Macroeconomic policy in a two-party system as a repeated game," *Quarterly Journal of Economics* 102: 651-678.

Alesina, Alberto and Richard Holden [2008], "Extremism and ambiguities in two-candidate elections," NBER Working Paper 14143.

*Baron, David P. and John Ferejohn [1989], "Bargaining in legislatures," *American Political Science Review* 83: 1186-1206.

*Romer, Thomas and Howard Rosenthal [1979], "Bureaucrats vs. voters: On the political economy of resource allocation by direct democracy," *Quarterly Journal of Economics* 93: 563-587.

Partisan influence on policy

Budge, Ian and Richard Hofferbert [1990], "Mandates and policy outputs: US party platforms and federal expenditures," *American Political Science Review* 84: 111-131.

*Lee, David S., Enrico Moretti, and Matthew J. Butler [2004], "Do voters affect or elect policies? Evidence from the US House," *Quarterly Journal of Economics* 119: 807-859.

*Ferreira, Fernando and Joseph Gyourko [2009], "Do political parties matter? Evidence from US cities," *Quarterly Journal of Economics* 124: 399-422

Ferreira, Fernando and Joseph Gyourko [2014], "Does gender matter for political leadership? The case of US mayors," *Journal of Public Economics* 112: 24-39.

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Levitt, Steven and James Snyder [1995], "Political parties and the distribution of federal outlays," *American Journal of Political Science* 39: 958-80.

Levitt, Steven [1996], "How do senators vote? Disentangling the role of voter preferences, party affiliation, and senator ideology," *American Economic Review* 86: 425-441.

Rose, Richard [1984], "Chapter 4: Testing the Manifesto" in *Do Parties Make a Difference?*, MacMillan Press, London.

Thompson, Daniel M [2021], "How partisan is local law enforcement? Evidence from sheriff cooperation with immigration authorities," *American Political Science Review* 114: 222-236.

Citizen candidates

- *Besley, Timothy and Stephen Coate [1997], "An economic model of representative democracy," *Quarterly Journal of Economics* 112: 85-114.
- *Chattopadhyay, Raghavendra and Esther Duflo [2004], "Women as policymakers: Evidence from a randomized experiment in India," *Econometrica* 72: 1409-1443.
- Pande, Rohini [2003], "Can mandated political representation increase policy influence for disadvantaged minorities? Theory and evidence from India," *American Economic Review* 93: 1132-1151.
- *Washington, Ebonya L. [2008], "Female socialization: how daughters affect their legislator fathers," *American Economic Review* 98: 311-32

Agenda setters

- Romer, Thomas., Howard Rosenthal, and Vincent G. Munley [1992], "Economic incentives and political institutions: Spending and voting in school budget referenda," *Journal of Public Economics* 49: 1-33.

Legislative bargaining

- Arnold, Douglas [1979], *Congress and the Bureacracy*, Yale University Press.
- *Knight, Brian [2008], "Legislative representation, bargaining power, and the distribution of federal funds: Evidence from the U.S. Senate," *Economic Journal* 118: 1785-1803.
- *Knight, Brian [2004], "Bargaining in legislatures: An empirical investigation," NBER Working Paper 10530 (shorter version "Estimating the Value of Proposal Power", *American Economic Review* 95: 1639–1652).
- Roberts, Brian [1990], "A dead senator tells no lies: Seniority and the distribution of federal benefits," *American Journal of Political Science* 34: 31-58.
- Stratmann, Thomas [1992], "The Effects of Logrolling on Congressional Voting," *American Economic Review* 82: 1162-1176.

Basic agency models

- *Chapter 4 in P-T 2000.
- Barro, Robert [1973], "The control of politicians: An economic model," *Public Choice* 14: 19-42.
- *Besley, Timothy [2006], "Political agency and accountability," Chapter 3 in *Principled Agents? Lectures on the Political Economy of Good Government*, Oxford University.
- *Ferejohn, John [1986], "Incumbent performance and electoral control," *Public Choice* 50: 5-26.

Evidence on agency

- Peters, John and Susan Welch [1980], "The effects of charges of corruption on voting behavior in Congressional elections," *American Political Science Review* 74: 697-708.
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- Schmidt, Amy, Lawrence Kenny, and Rebecca Morton [1996], "Evidence on electoral accountability in the US Senate: Are unfaithful agents really punished?" *Economic Inquiry* 34: 545-567.

Part III, Lectures 7-8, Political Selection

Selection of politicians

- Besley, Timothy [2005], "Political selection," *Journal of Economic Perspectives* 19, 43-60.
- Besley, Timothy and Marta Reynal-Querol [2011], "Do democracies select more educated leaders?" *American Political Science Review* 105: 552-556.
- Caselli, Francesco and Massimo Morelli [2004], "Bad politicians," *Journal of Public Economics* 88, 759-782.
- Dal Bo, Ernesto and Federico Finan [2018], "Progress and perspectives in the study of political selection," *Annual Review of Economics* 10: 541-575.
- *Dal Bo, Ernesto, Federico Finan, Olle Folke, Torsten Persson, and Johanna Rickne [2017], "Who becomes a politician?" *Quarterly Journal of Economics* 132: 1877-1914.
- Francois, Patrick [2000], "'Public service motivation' as an argument for government provision," *Journal of Public Economics* 78: 275-299.
- Galasso, Vincenzo and Tommaso Nannicini [2011], "Competing on good politicians," *American Political Science Review* 105: 79-99.
- Thompson, Daniel, James Feigenbaum, Andrew Hall, and Jesse Yoder [2019], "Who becomes a member of Congress? Evidence from de-anonymized census data," NBER Working Paper, No. 26156.
- Messner, Mark and Mattias K. Polborn [2004], "Paying politicians," *Journal of Public Economics* 88: 2423-2445.
- Rydgren, Jens [2018], (ed.) *The Oxford Handbook of the Radical Right*, Oxford: Oxford University Press.

Populism and the radical right

- Anelli, Massimo, Italo Colantone, and Piero Stanig [2019], "We were the robots: Automation and voting behavior in Western Europe," Working Paper, IZA.
- Autor, David, David Dorn, Gordon Hanson, and Kaveh Majlesi [2020], "Importing political polarization? The electoral consequences of rising trade exposure," *American Economic Review* 110: 3139-3183.

- Besley, Timothy and Torsten Persson [2023], "Origins of policy cleavages: Values, education and politics," Working Paper, LSE and Stockholm University.
- Bonomi, Giampaolo, Nicola Gennaioli, and Guido Tabellini [2021], "Identity, beliefs and political conflict," *Quarterly Journal of Economics* 136: 2371–2411.
- Bordalo, Piero, Marco Tabellini, and David Yang, D. [2020], "Stereotypes and politics," Working Paper, Harvard University
- Cantoni, Davide, F. Hagemeister, and M. Westcott [2019], "Persistence and activation of right-wing political ideology," Working Paper, LMU Munich.
- Colantone, Italo and Piero Stanig [2018a], "The trade origins of economic nationalism: Import competition and voting behavior in Western Europe," *American Journal of Political Science* 62: 936-953.
- Colantone, Italo and Piero Stanig [2018b], "Global competition and Brexit," *American Political Science Review* 112: 201-218.
- *Dal Bo, Ernesto, Federico Finan, Olle Folke, Torsten Persson, and Johanna Rickne [2023], "Economic and social outsiders, but political insiders: Evidence from Sweden's populist radical right," *Review of Economic Studies* 90: 675-706.
- Dehdari, Sirus [2021], "Economic distress and support for far-right parties: Evidence from Sweden," *Comparative Political Studies* 55: 191-221.
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Selection of party leaders

- Anagol, Santosh and Thomas Fujiwara [2014], "The runner-up effect," *Journal of Political Economy* 124: 927-991.

- Ansolabehere, Steven, Shiego Hirano, and James Snyder [2007], "What did the direct primaries do to party loyalty in Congress, party and policy making?", in *Further New Perspectives on the History of Congress*, D. Brady and M. McCubbins (eds.), Stanford: Stanford University Press.
- Carey, John and John Polga-Hecimovich [2006], "Primary elections and candidate strength in Latin America," *Journal of Politics* 68: 530–43.
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- *Folke, Olle, Torsten Persson, and Johanna Rickne [2016], "The primary effect: Preference votes and political promotions," *American Political Science Review* 110: 559-578.
- Hirano, Shiego and James Snyder [2014], "Primary elections and the quality of elected officials," *Quarterly Journal of Political Science* 9: 473-500.
- Hortala-Vallve, Rafael and Hannes Mueller [2015], "Primaries the unifying force," *Public Choice* 163: 289-305.
- Piketty, Thomas [2000], "Voting as communicating," *Review of Economic Studies* 67: 169–91.
- Razin, Ronny [2003], "Signaling and election motivations in a voting model with common values and responsive candidates," *Econometrica* 71: 1083–1119.

Gender quotas and selection of ability

- Baltrunaite, Audinga, Piera Bello, Alessandra Casarico, and Paula Profeta [2014], "Gender quotas and the quality of politicians," *Journal of Public Economics* 118: 62-74.
- *Besley, Timothy, Olle Folke, Torsten Persson, and Johanna Rickne [2017], "Gender quotas and the crisis of the mediocre man: Theory and evidence from Sweden," *American Economic Review* 107: 2204-2242.
- Casas-Arce, Pablo and Alberto Saiz [2015], "Women and power: Unpopular, unwilling, or held Back?" *Journal of Political Economy* 123: 641-669.
- Egorov, Georgy and Konstantin Sonin [2011], "Dictators and their Viziers: Endogenizing the loyalty-competence trade-off," *Journal of the European Economic Association* 9: 903-930.
- Gagliarducci, Stefano and Daniele Paserman [2012], "Gender interactions within hierarchies: Evidence from the political arena," *Review of Economic Studies* 79: 1021-1052.
- O'Brien, Dana and Johanna Rickne [2016], "Gender quotas and women's political leadership," *American Political Science Review* 110: 112-126.