

Topics in the Economics of Politics

Objective

This course covers selected topics in political economy. I focus on non-democracies, as opposed to voting and tax/public policy literature developed for democracies. However, we discuss agency issues such as accountability, expertise, transparency, etc. that are among the shared features of both democratic and non-democratic systems.

This is a mix-and-match course, designed to help you find research topics that interests you. Therefore, we touch on a lot of topics, but tend not to dive too deep in a single one. As such, the course is most appropriate for two groups: (1) those who have the basic knowledge of game theory, but have not completely settled on a research topic; (2) those who are interested to be familiarized with a wide range of modeling techniques.

Assignments and Exams

I divide the class into groups. Each group is collectively responsible for each assignment, and all the members receive the same grade. There are three types of assignments: presentations, research proposals, and homeworks. All presentations, research proposals, and homeworks must be submitted in LaTeX.

Presentations (40): Most weeks, one group *presents* one paper, and I *discuss* another. When a group is presenting, the other group(s) and I can ask questions from *all* members of the presenting group. That is, all the members of the presenting group are responsible to know the details of the paper. Remember, I give the grade to the group as a whole. The papers that you are presenting have “***” next to them.

Research proposals (30): Each group has to turn in 3 research proposals. Each research proposal is 3 pages. The first page includes motivation and literature review, then comes the main text. The last page is *only* for references. Proposals must be polished.

Homeworks (30): Occasionally, I give one question for your homework. Probably, 5 to 8 times during the semester. Questions are directly related to the papers of the week.

Exams (Fail and Pass): I give an exam at the end of our discussion of global games; most likely, in the 10th session. This is the only exam, and it is an in-class, closed-book exam. You must do more than 50 per cent in order to pass this course. If you receive less than 50 per cent in the exam, you will have another chance to take another exam in a week. It is not a hard exam, and designed to indicate that you understand the basics.

I. Global Games, Coordination, and Collective Action

Session 0-1

(Theory I.) Morris Stephen, and Hyun Song Shin. 2003. “Global Games: Theory and Application.” In *Advances in Economics and Econometrics, Theory and Applications, Eighth World Congress, Volume I*, edited by M. Dewatripont, L. P. Hansen, and S. J. Turnovsky. New York: Cambridge University Press.

Session 2

Persson, Torsten, and Guido Tabellini. 2009. “Democratic Capital: The Nexus of Political and Economic Change.” *American Economic Journal: Macroeconomics*, 1: 88-126.*** (I will not be in this session.)

Session 3

Boix, Carles, and Milan Svolik. “The Foundations of Limited Authoritarian Government: Institutions and Power-sharing in Dictatorships.” Mimeo.***

Session 4

(Theory II.) Shadmehr, Mehdi, and Dan Bernhardt. “Collective Action with Uncertain Payoffs: Coordination, Public Signals and Punishment Dilemmas.” Mimeo.

Session 5

Bueno de Mesquita, Ethan. 2010. “Regime Change and Revolutionary Entrepreneurs.” *American Political Science Review* 104: 446-66.***

Session 6

(Theory III: Convergence in Global Games.) Morris and Shin (2003).

Hellwig, Christian. 2002 “Public Information, Private Information, and the Multiplicity of Equilibria in Coordination Games.” *Journal of Economic Theory*, 107: 191-222.

Session 7

Chassang, Sylvain, and Gerard Padro i Miquel. 2010. “Conflict and Deterrence Under Strategic Risk.” *Quarterly Journal of Economics*, 125: 1821-58.***

Session 8

(Theory IV.) Frankel, David M., Stephen Morris, and Ady Pauzner. 2003. “Equilibrium Selection in Global Games with Strategic Complementarities.” *Journal of Economic Theory*, 106: 1-44.

Session 9

Gehlbach, Scott. *Formal Models of Domestic Politics*, Chapter 7: “Regime Change”. Manuscript.

ASSIGNMENT I: Solve question 1.

Session 10

Exam.

II. Dictatorships

Session 1

Acemoglu, Daron, and James A. Robinson. 2001. “A Theory of Political Transition.” *American economic Review*, 91(4): 938-63.

Session 2

Dunning, Thad. *Crude Democracy: Natural Resource Wealth and Political Regimes*. Cambridge University Press. *** (Present the formal model.)

Session 3

Ticchi Davide, and Andrea Vindigni “War and Endogenous Democracy.” Mimeo.

Session 4

Egorov, Georgy, Sergei Guriev, and Konstantin Sonin. 2009. “Why Resource-poor Dictators Allow Freer Media: A Theory and Evidence from Panel Data.” *American Political Science Review*, 103: 645-68.***

ASSIGNMENT II: One group presents the paper, the other group turns in the dynamic version.
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Session 5

Shadmehr, Mehdi, and Dan Bernhardt. 2011. "A Theory of State Censorship." Mimeo.

Session 6

Edmond, Chris. 2008. "Information Manipulation, Coordination and Regime Change." Mimeo.***

ASSIGNMENT III: Write a research proposal on Topics I or II.
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III. Agency: Accountability, Expertise, and Leadership

Session 1

Svolik, Milan. 2010. "Contracting on Violence: Authoritarian Repression and Military Intervention in Politics." Mimeo.***

Session 2

Acemoglu, Daron, Davide Ticchi, and Andrea Vindigni. "A Theory of Military Dictatorship." *American Economic Journal: Macroeconomics*, 2(1): 1-42.

Session 3

Dewan, Torun, and David P. Myatt. 2007. "Leading the Party: Coordination, Direction and Communication." *American Political Science Review*, 101(4): 827-45.

Dewan, Torun, and David P. Myatt. 2008. "Qualities of Leadership: Communication, Direction and Obfuscation." *American Political Science Review*, 102(3): 351-68.

Session 4

Dewan, Torun, and David P. Myatt . 2010. "The Declining Talent Pool of Government." *American Journal of Political Science*, 54(2): 267-86.

Session 5

Prendergast, Canice. 1993. "A Theory of 'Yes Men' ." *The American Economic Review*, 83(4): 757-70.***

Session 6

Maskin, Eric, and Jean Tirole. 2004. “The Politician and The Judge: Accountability in Government.” *American Economic Review*, 94(4): 1034-54.

Session 7

Prat, Andrea. 2005. “The Wrong Kind of Transparency.” *The American Economic Review*, 59(3): 862-77.***

Session 8

Martinez-Bravo, Monica. 2010. “Why Some Non-Democratic Regimes Hold Local elections? The Role of Competence and Information.” Mimeo.

Martinez-Bravo, Monica. 2011. “The Role of Local Officials in New Democracies: Evidence from Indonesia.” Mimeo.

Session 9

Gehlbach, Scott, and Alberto Simpser. 2011. “Electoral Manipulation as Bureaucratic Control.” Mimeo.***

ASSIGNMENT IV: Write a research proposal on topic III.

IV. Conflict and Bargaining

Session 1

Fey, Mark, and Kristopher Ramsay. 2007. “Mutual Optimism and War.” *American Journal of Political Science*, 51(4): 748-54.

ASSIGNMENT V: Prove that P_i satisfies deluded-ness, know what you know, and know what you don't know if and only if P_i is partitional.

Session 2

Fey, Mark, and Kristopher Ramsay. 2011. “Uncertainty and Incentives in Crisis Bargaining.” *American Journal of Political Science*, 55(1): 149-69.***

Session 3

Powell, Robert. 2006. "War as a Commitment Problem." *International Organization*, 60(1): 169-203.**

Session 4

Baliga, Sandeep, and Tomas Sjoström. 2009. "Conflict Games with Payoff Uncertainty." Mimeo.

ASSIGNMENT VI: Write a research proposal on topic IV OR IF YOU WANT, write a research proposal on the following topic Extra below.

THE END OF COVERED MATERIAL.

Extra. Economics of Law

Session 1

Cooter, Robert, and Thomas Ulen. *Law and Economics*. Chapter 3: A Brief Introduction to Law and Legal Institutions.

Lax, Jeffery R. 2011. "The New Judicial Politics of Legal Doctrine." *Annual Review of Political Science*, 14: 131-57.

Bueno de Mesquita, Ethan, and Matthew Stephenson. 2002. "Informative Precedent and Intrajudicial Communication." *American Political Science Review*, 96(4): 755-66.***

Session 2

Fox, Justin, and Matthew Stephenson. 2011. "Judicial Review as a Response to Political Posturing." *American Political Science Review*, 105(2): 397-414.

Cooter, Robert, and Thomas Ulen. *Law and Economics*. Chapters 10: Legal Process.

Session 3

Feddersen, Tomothy, and Wolfgang Pendorfer. 1998. "Convicting the Innocent: The Inferiority of Unanimous Jury Verdicts Under Strategic Voting." *APSR*, 92(1): 23-35.***

Cooter, Robert, and Thomas Ulen. *Law and Economics*. Chapters 11: Legal Process.

Session 4

Borgers, Tilman. 2004. "Costly Voting." *American Economic Review*, 94(1): 57-66. (This paper is here for its modeling perspective, not the topic *per se*.)

Session 5

Dragu, Tiberiu, and Mattias Polborn. 2011. "Political Rulers, Administrators, and the Efficacy of Law." Mimeo. ***

Session 6

Spitzer, Matthew, and Eric Talley. 2011. "Left, Right, and Center: Strategic Information Acquisition and Diversity in Judicial Panels." Mimeo.