

UNIVERSITY OF MARYLAND
Department of Economics

Economics 757 (698D)
Spring 2006

Allan Drazen

Topics in Political Economy II
Syllabus

This course is a continuation of the first semester: Topics in Political Economy I. The prerequisites for the course are: the first-year micro and macro sequences, and knowledge of the material covered in Economics 754. The requirements for the course are two: a class presentation (25% of final grade); and a take-home final exam (75% of final grade).

In this course, we continue our study of both methods and applications of political economy models via investigation of various topics with emphasis on asymmetric information, income redistribution and fairness, legislative and electoral systems. The objectives of the course are: first, to broaden students' familiarity with areas of research in the field; and, second, to strengthen their ability to analyze political-economic phenomenon and to build models in order to prepare them to do research of their own.

Texts:

Drazen (2000), *Political Economy in Macroeconomics*, Princeton
Persson and Tabellini (2000), *Political Economics*, MIT Press.
Grossman and Helpman (2001), *Special Interest Politics*, MIT Press.
Austen-Smith and Banks (2000), *Positive Political Theory I*, U. of Michigan Press.
Mueller (2003), *Public Choice III*

1. Special Interest Groups – Information

GH Ch. 4, 5 & 6;
M, Ch. 20

2. Campaign Finance

Drazen, Limao, and Stratmann, "Political Contribution Caps and Lobby Formation: Theory and Evidence" working paper.
Coate, S. (2004), "Pareto Improving Campaign Finance Policy", *American Economic Review* 94, 628-55.

Prat, A. (2002), "Campaign Advertising and Voter Welfare," *Review of Economic Studies* 69, 999–1018.

3. **Redistribution – Background**

PEM, chapter 8

Drazen and Limao (2005), "A Bargaining Theory of Inefficient Redistribution Policies"

Acemoglu and Robinson (2001), "Inefficient Redistribution," *American Political Science Review* 95, 649-661.

Coate and Morris (1995), "On the Form of Transfers to Special Interests," *JPE* 103, 1210-35.

4. **Intergenerational Redistribution**

Breyer, F. (1994), "The Political Economy of Intergenerational Redistribution," *European Journal of Political Economy* 10, 61-84.

Tabellini, G. (1991), "The Politics of Intergenerational Redistribution," *JPE* 99, 335-57 (PEM)

5. **Redistribution – Pork Barrel Politics**

Dixit, and Londregan (1996), "The Determinants of Success of Special Interests in Redistributive Politics," *Journal of Politics* 58, 1132-55.

Dixit, and Londregan (1998), "Ideology, Tactics, and Efficiency in Redistributive Politics," *QJE* 113, 497-529.

Weingast, B., K. Shepsle, and C. Johnsen (1981), "The Political Economy of Benefits and Costs: A Neoclassical Approach to Distributive Politics," *JPE* 89, 642-64.

Baron, D. (1991), "Majoritarian incentives, pork barrel programs, and procedural control," *American Journal of Political Science* 35, 57-90.

V. Chari, L. Jones, and R. Marimon (1997), "The Economics of Split-ticket Voting in Representative Democracies," *AER* 52, 957-976.

Grossman G. and E. Helpman (2005), "Party Discipline and Pork Barrel Politics," NBER Working Paper 11396.

6. **Factor Accumulation and Growth**

PEM, chapter 11

Persson, T. and G. Tabellini (1994), "Is Inequality Harmful for Growth?," *American Economic Review* 84, 600-621.

Saint-Paul, G. and T. Verdier (1993), "Education, Democracy and Growth " *Journal of Development Economics* 42, 399-407.

Perotti, R. (1996), "Income Distribution, Democracy, and Growth: What the Data Say," *Journal of Economic Growth* 1, 149-87.

Acemoglu and Robinson (2002), "Economic Backwardness in Political Perspective," NBER working paper 8831. .

7. **Fairness**

Benabou and Tirole, "Belief in a Just World and Redistributive Politics," working paper.

- Benabou (2000), "Unequal Societies: Income Distribution and the Social Contract," *AER* 90, 96-129.
- Benabou and Ok (2001), "Social Mobility and the Demand for Redistribution: the POUM Hypothesis," *QJE* 116, 447-87.
- Piketty, T. (1995) "Social Mobility and Redistributive Politics," *QJE* 110, 551-83.
- Alesina, A. and Angeletos, G. (2005), "Fairness and Redistribution: US versus Europe," *AER* 95, 913-35.

8. Alternative Electoral Systems And Their Effects

- Cox, G. (1997), *Making Votes Count*, Cambridge, UK: Cambridge University Press.
- Lijphart, A. (1992), *Parliamentary versus Presidential Government*, Oxford: Oxford University Press.
- Cox, G. (1987), "Electoral Equilibrium under Alternative Voting Institutions," *AJPS* 34, 903-35.
- Lizzeri, A. and N. Persico (2001), "The Provision of Public Goods under Alternative Electoral Incentives," *AER* 91, 225-45
- Baqir, R. (2002), "Districting and Government Overspending," *JPE* 110.
- Myerson, R. (1999), "Theoretical Comparisons of Electoral Systems," *European Economic Review* 43, 671-697.
- Myerson, R. (1993), "Incentives to Cultivate Favored Minorities under Alternative Electoral Systems," *APSR* 87, 856-869.

9. Models of Parliamentary Democracies

- Merlo, A. (1997), "Bargaining over Governments in a Stochastic Environment," *JPE* 105, 101-131.
- Diermeier, D. and A. Merlo (2000), "Government Turnover in Parliamentary Democracies," *Journal of Economic Theory*, 94, 46-79.
- Baron, D. and D. Diermeier (2001), "Elections, Governments, and Parliaments in Proportional Representation Systems." *QJE* 116, 933-967.
- Baron, D. (1998), "Comparative Dynamics of Parliamentary Governments," *APSR* 92, 593-609.
- Austen-Smith, D. and J. Banks (1988), "Elections, Coalitions, and Legislative Outcomes," *APSR* 82, 405-422.
- Austen-Smith, D. (2000), "Redistributing Income under Proportional Representation," *Journal of Political Economy* 108, 1235-69.
- Austen-Smith, D. and J. Banks (1990), "Stable Governments and the Allocation of Policy Portfolios," *APSR* 84, 891-906.
- Baron, D. (1991), "A Spatial Bargaining Theory of Government Formation in Parliamentary Systems," *APSR* 85, 137-164.
- Baron, D. (1993), "Government Formation and Endogenous Parties," *APSR* 87, 34-47.

10. Comparing Political Institutions

- Diermeier, D. and T. Feddersen (1998), "Cohesion in Legislatures and the Vote of Confidence Procedure," *APSR* 92, 611-621.

Alesina, A. and H. Rosenthal (1996), "A Theory of Divided Government," *Econometrica*, 64, 1311-1341.

Diermeier, D. and R. Myerson (1999), "Bicameralism and Its Consequences for the Internal Organization of Legislatures," *AER* 89, 1182-1196.

11. **Bureaucrats, Politicians, Or Voters**

Maskin, E. and J. Tirole (2004), "The Politician and the Judge: Accountability in Government," *AER* 94, 1034-1054.

Romer and Rosenthal (1979), "Bureaucrats versus Voters: On the Political Economy of Resource Allocation by Direct Democracy," *QJE* 93, 563-587.

Besley, T. and S. Coate, "Elected versus Appointed Regulators: Theory and Evidence," *Journal of the European Economics Association* 1, 1176-1206. 2003.

12. **The Media and Politics**

Baron, D., "Persistent Media Bias," mimeo, Stanford University, 2004.

Stromberg, D. (2004), "Mass Media Competition, Political Competition, and Public Policy," *Review of Economic Studies* 71.

13. **Federalism**

Wildasin, D. (1991), "Income Redistribution in a Common Labor Market," *AER* 81, 757-774.

Epple, D. and T. Romer (1991), "Mobility and Redistribution," *JPE* 99, 828-858.

Persson, T. and G. Tabellini (1996), "Federal Fiscal Constitutions: Risk Sharing and Redistribution," *JPE* 104, 979-1009.

Persson, T. and G. Tabellini (1996), "Federal Fiscal Constitutions: Risk Sharing and Moral Hazard," *Econometrica*, 64, 623-646.