

University of Alicante
Second Year Q.E.D. Program
Public Economics II
Winter 2013

Faculty: Fernanda Brollo,

fernanda.brollo@gmail.com

Web page: sites.google.com/site/fernandabrollo/

The course is aimed at second, third and fourth year Master/PhD students. The goal is to discuss current topics in political economics from an empirical perspective and enhance your knowledge of methods that are widely employed in this field of research. The first half of the class covers a revision of some important econometrics tools in the applied political economics and core topics such as basic voting theory (median voter models, citizen candidate models, voting decisions); agency theory for politicians, and media. The second half of the class covers core contributions on a variety of important topics that have been central to recent research. Throughout, recent empirical advances will be emphasized.

The format of the course is presentations and discussions of papers and econometric strategies.

Class requirements:

1) Problem sets (35% 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 3 problem sets in total, covering a mix of theory and empirics.

2) In-depth research proposal and presentation. (35% of grade) You will be asked to complete a research proposal for a political economy topic. The topic needs to be on political economy, but does not necessarily need to correspond precisely to the topics on the syllabus. The idea of this is that this should be a “real” research project that, if you decide you like it, you could actually complete over the subsequent months after the course is over. Your proposal should be empirical, with the following requirements for each:

- You should identify a question, a credible identification strategy, the data to implement it, and specify the regression equations you would run. That is, you should do everything you would need to do to start the project, except you do not actually need to fire up Stata and run the regressions. (Of course, if you want to run the regressions as well, that’s great, but it’s not required for the class).

The write-up should be succinct, with 5-7 pages as the ideal and 10 pages as the absolute maximum. You will be required to do a short (20 minutes) presentation of your proposal in the last two weeks of class (we will do the exact schedule later), and your grade will be based on a combination of the written proposal and the presentation.

3) Seminar: (25% of grade). Students are expected to present papers listed in the syllabus below, as well as handing in questions on the papers being presented. For each of the sections, one student will present and students who are not presenting will in beforehand read the relevant paper and hand in three questions the day before the presentation (until 10:00 pm). The student presenting should structure the presentation as follows: (i) motivation and general background, (ii) method and data, (iii) main results in the paper, (iv) critical discussion. Each presentation will be followed by a general discussion based on the questions handed in by the audience. Each section consists of roughly 1 hour presentation followed by 30 minutes discussion.

4) Class participation (5% of grade)

(*) Read before class**

The «Credibility Revolution» Goes to Empirical Political (January 31th)

- (***)31/01 Angrist, J.D. and S. Pischke (2010), "The Credibility Revolution in Empirical Economics: How Better Research Design is Taking the Con out of Econometrics," *Journal of Economic Perspectives*, 24(2), 3-30.
- (***)31/01 Angrist, J.D. and S. Pischke (2009), *Mostly Harmless Econometrics*, Princeton University Press, chapters 2.
- (***)31/01 Lee, D.S. and T. Lemieux (2010), "Regression Discontinuity Designs in Economics," *Journal of Economic Literature*, 48(2), 281-355.

The benchmark: The Median Voter Theorem

Single-peaked preferences and the Median Voter Theorem.

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

Empirical tests of the median voter model: The enfranchisement of women:

- Lott, John R., Jr. 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.
- ***Miller, Grant (2008) "Women's Suffrage, Political Responsiveness, and Child Survival in American History," *Quarterly Journal of Economics* 123(30): pp. 1287-1327.

Empirical tests of the median voter model: The disenfranchisement and re-enfranchisement of minorities:

- ***Naidu, Suresh (2012), "Suffrage, Schooling, and Sorting in the Post-Bellum South," mimeo, Columbia University.
- Cascio, Elizabeth and Ebonya Washington (2012) "Valuing the Vote: the Redistribution of Voting Rights and State Funds Following the Voting Rights Act of 1965," unpublished paper, Yale University, July 6, 2012 version.

Probabilistic voting models

- Persson, Torsten and Guido Tabellini (2000), *Political Economics Explaining Economic Policy*, MIT Press, Chapter 3. 4.

Median voter theorem with multiple dimensions

- Shepsle, Kenneth, A (1979): "Institutional Arrangements and Equilibrium in Multidimensional Voting Models," *American Journal of Political Science* 23 (1), pp. 27-59.

Problems with the Median Voter Theorem

Are politician's views fixed or malleable?

- ***Lee, David S., Enrico Moretti, and Matthew J. Buttlar (2004) "Do Voters Affect or Elect Policies? Evidence from the U.S. House," *Quarterly Journal of Economics*, pp. 807-859.
- Levitt, Steven (1996) "How Do Senators Vote? Disentangling the Rate of Voter Preferences, Party Affiliation, and Senator Ideology," *American Economic Review* 86(3): pp. 425-441.

Credible commitment problems:

- ***Alesina, Alberto (1988) "Credibility and Policy Convergence in a Two-Party System with Rational Voters," *American Economic Review* 78(4), 796-805.

Citizen-candidate models and the failure of the median voter theorem

- ***Chattopadhyay, Raghendra and Esther Duflo (2004) "Women as Policy Makers: Evidence from a Randomized Policy Experiment in India," *Econometrica* 72(5): 1409-1443.
- Pande, Rohini (2003) "Can Mandated Political Representation Increase Policy Influence for Disadvantaged Minorities?" *American Economic Review* 93(4): pp. 1132-1151.
- ***Lee, David S., Enrico Moretti, and Matthew J. Buttlar (2004) "Do Voters Affect or Elect Policies? Evidence from the U.S. House," *Quarterly Journal of Economics*, pp. 807-859.
- Levitt, Steven (1996) "How Do Senators Vote? Disentangling the Rate of Voter Preferences, Party Affiliation, and Senator Ideology," *American Economic Review* 86(3): pp. 425-441.
- Besley, Timothy and Stephen Coate (1997) "An Economic Model of Representative Democracy," *Quarterly Journal of Economics* 112(1): pp. 85-114.
- Osborne, Martin J. and Al Slivinski (1996) "A Model of Political Competition with Citizen-Candidates," *Quarterly Journal of Economics* 111(1): pp. 65-96.
- Persson and Tabellini, Chapter 5.1-5.3.

So, on net, are parties actually different?

- Lee, D.S., E. Moretti, and M.J. Butler (2004), "Do Voters Affect or Elect Policies? Evidence from the U.S. House," *Quarterly Journal of Economics*, 119, 807-859.
- Grembi V., T. Nannicini and U. Troiano (2011), "Do Fiscal Rules Matter? A Difference-in-Discontinuities Design", Mimeo
- Ferreira, F. and J. Gyourko (2009), "Do Political Parties Matter? Evidence from U.S. Cities," *Quarterly Journal of Economics*, 124(1), 349-397.
- Pettersson-Lidbom, P. (2008), "Do parties matter for economic outcomes? A regression-discontinuity approach," *Journal of the European Economic Association*

- Brollo F. and T. Nannicini (2011) "Tying Your Enemy's Hands in Close Races: The Politics of Federal Transfers in Brazil".

Reputations

- Alesina, Alberto (1988) "Credibility and Policy Convergence in a Two-Party System with Rational Voters," *American Economic Review* 78(4), 796-805.

Non-Single Peaked Preferences, Arrow's Impossibility Theorem, and Agenda Setting

- Persson and Tabellini, Chapter 2.2-2.3.
- Arrow, Kenneth J. , 1951, 2nd ed., 1963. *Social Choice and Individual Values*, Yale University Press.
- Sen Amartya, "Internal Consistency of Choice", *Econometrica*, Vol. 61, No. 3 (May, 1993), pp. 495-521
- Shepsle, Kenneth A. and Barry R. Weingast (1981) "Structure-Induced Equilibrium and Legislative Choice," *Public Choice* 37(3): pp. 503-519.
- Romer, Thomas and Howard Rosenthal (1978) "Political Resource Allocation, Controlled Agendas, and the Status Quo," *Public Choice* 33(4): pp. 27-43.

Who Votes? And How Do People Vote?

Theory of Strategic Voting and Strategic Abstentions

- ***Feddersen, Timothy and Wolfgang Pesendorfer (1996) "The Swing Voter's Curse," *American Economic Review* 86(3): pp. 408-424.
- Palfrey, Thomas and Howard Rosenthal (1985), "Voter Participation and Strategic Uncertainty," *American Political Science Review* 79 (1), pp 62-78.
- 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.
- *** Myerson, Roger and Robert Weber (1993) "A Theory of Voting Equilibria," *American Political Science Review* 87(1): pp. 102-114.
- Feddersen, Timothy and Wolfgang Pesendorfer (1997) "Voting Behavior and Information Aggregation in Elections with Private Information," *Econometrica* 65(5): pp. 1029-1058.
- Feddersen, Timothy and Wolfgang Pesendorfer (1999) "Abstention in Elections with Asymmetric Information and Diverse Preferences," *American Political Science Review* 93(2), pp. 381-398.
- Bordignon, Massimo, Tommaso Nannicini, and Guido Tabellini (2011) "Moderating Political Extremism: Single Round vs. Runoff Elections under Plurality Rule," Unpublished paper, Bocconi University, September 2011 version.
- Coate, Stephen and Michael Conlin, (2004), "A Group Rule-Utilitarian Approach to Voter Turnout: Theory and Evidence", *American Economic Review* 94 (5), pp 1476-1504.
- Feddersen, Timothy and Alvaro Sandroni (2006), "A Theory of Participation in Elections," *American Economic Review* 96 (4), 1271-1282.

Empirics: the Cost of Voting and Turnout

- * Gerber, Alan S. and Donald P. Green (2000) "The Effects of Canvassing, Telephone Calls, and Direct Mail on Voter Turnout: A Field Experiment," *American Political Science Review* 94(3): pp. 653-663.

- 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): 540-550.
- 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.
- Nickerson, David W. (2008) "Is Voting Contagious? Evidence from Two Field Experiments," *American Political Science Review* 102(1), pp. 49-57.
- Green, Donald P., Alan S. Gerber, and David W. Nickerson (2003) "Getting Out the Vote in Local Elections: Results from Six Door-to-Door Canvassing Experiments," *Journal of Politics* 65(4): pp. 1083-1096.
- Michelson, Melissa R. and David W. Nickerson (2011) "Voter Mobilization," Chapter 16 of *The Cambridge Handbook of Experimental Political Science*, James N. Druckman, Donald P. Green, James H. Kuklinski, and Arthur Lupia (eds.), NY: Cambridge University Press, 2011, pp. 228-240.
- Washington, Ebonya (2006) "How Black Candidates Affect Voter Turnout," *Quarterly Journal of Economics* 121(3): pp. 973-998.
- Green, Donald P. and Alan S. Gerber (2005) "Recent Advances in the Science of Voter Mobilization," *Annals of the American Academy of Political and Social Science* 601 (The Science of Voter Mobilization): pp. 6-9.

Empirics: Strategic Abstentions

- *Battaglini, Marco, Rebecca B. Morton and Thomas R. Palfrey (2010) "The Swing Voter's Curse in the Laboratory," *Review of Economic Studies* 77: pp. 61-89.
- * 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: pp. 582-596.
- Battaglini, Marco, Rebecca B. Morton and Thomas R. Palfrey (2008) "Information Aggregation and Strategic Abstention in Large Laboratory Elections," *American Economic Review* 98(2) (Papers and Proceedings): pp. 194-200.
- Levine, David K. and Thomas R. Palfrey (2007) "The Paradox of Voter Participation? A Laboratory Study," *American Political Science Review* 101(1): pp. 143-158.
- * Fujiwara, Thomas (2011) "A Regression Discontinuity Test of Strategic Voting and Duverger's Law," *Quarterly Journal of Political Science* 6: pp. 197-233.
- Bordingon, Massimo, Tommaso Nannicini, and Guido Tabellini (2011), "Moderating Political Extremism: Single Round vs. Runoff Elections under Plurality Rule," mimeo, Bocconi.
- Burden, Barry (2005) "Minor Parties and Strategic Voting in Recent U.S. Presidential Elections," *Electoral Studies* 24: pp. 603-618.
- Hillygus, D. Sunshine (2007) "The Dynamics of Voter Decision Making Among Minor-Party Supporters: The 2000 Presidential Election in the United States," *British Journal of Political Science* 37: pp. 225-244.

Agency Theory and Empirics

Theory

- *Persson and Tabellini, Chapter 4
- Barro, Robert (1973) "The Control of Politicians: An Economic Model," *Public Choice* 14: pp. 19-42.

- Ferejohn, John (1986) "Incumbent Performance and Electoral Control," *Public Choice* 50: pp. 5-25.
- Caselli, Francesco, Thomas E. Cunningham, Massimo Morelli and Ines Moreno de Barreda (2012) "Signalling, Incumbency Advantage and Optimal Reflection Thresholds," National Bureau of Economic Research Working Paper 17833, February 2012 version.

Empirics: Do voters reward politicians for performance?

- *Banerjee, Abhijit, Selvan Kumar, Rohini Pande, and Felix Su (2011) "Do Informed Voters Make Better Choices? Experimental Evidence from Urban India," Unpublished paper, Department of Economics MIT, April 21, 2011 version.
- *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.
- De La O, Ana (2011) "Do Conditional Cash Transfers Affect Electoral Behavior? Evidence from a Randomized Experiment in Mexico," Unpublished paper, Yale University, October 2011 version.
- Chong, Alberto, Ana De La O, Dean Karlan, and Leonard Wantchekon (2012) "Looking Beyond the Incumbent: The Effects of Exposing Corruption on Electoral Outcomes," Yale University Department of Economics Working Paper #94, January 2012 version.
- Manacorda, Marco, Edward Miguel, and Andrea Vigorito (2011) "Government Transfers and Political Support," *American Economic Journal: Applied Economics* 3: pp. 1-28.

Empirics: Does this mean that politicians behave better?

- * Ferraz, Claudio and Frederico Finan (2011) "Electoral Accountability and Corruption: Evidence from the Audits of Local Governments," *American Economic Review* 101: pp. 1274-1311.
- Besley, Timothy and Anne Case (1995b) "Does Electoral Accountability Affect Economic Policy Choices? Evidence from Gubernatorial Term Limits," *Quarterly Journal of Economics* 110(3): pp. 769-798.
- Snyder, James M. and David Stromberg (2010) "Press Coverage and Political Accountability," *Journal of Political Economy* 118(2): 355-408.

Empirics: Do wages matter for politicians?

- * Ferraz, Claudio and Frederico Finan (2011) "The Impacts of Monetary Incentives on Quality and Performance," Unpublished paper, UC Berkeley, January 2011 version.
- Dal Bo, Ernesto, Frederico Finan, and Martin A. Rossi (2012) "Strengthening State Capabilities: The Role of Financial Incentives in the Call to Public Service," Unpublished paper, UC Berkeley, May 2012 version.
- Fisman, Raymond, Nikolaj A. Harmon, Emir Kamenica, and Inger Munk (2012) "Labor Supply of Politicians," Unpublished paper, March 2012 version.
- Besley, Timothy (2004) "Paying Politicians: Theory and Evidence," *Journal of the European Economic Association* 2(2-3): pp. 193-215.

Political Business Cycles

- * Rogoff, Kenneth (1990) "Equilibrium Political Budget Cycles," *American Economic Review* 80(1): pp. 21-36.
- Wolfers, Justin (2002) "Are Voters Rational? Evidence from Gubernatorial Elections,"
- Finkelstein, Amy (2009) "E-ZTax: Tax Salience and Tax Rates," *Quarterly Journal of Economics* 124(3): pp. 969-1010.

- Robin Burgess, Matthew Hansen, Peter Potapov, Ben Olken and Stefanie Sieber (forthcoming), "The Political Economy of Deforestation in the Tropics", *Quarterly Journal of Economics*.
- Persson, Torsten and Guido Tabellini (2002) "Do Electoral Cycles Differ across Political Systems?" Unpublished paper, July 2002 version.

Political Influence on Media

- McMillan, John and Pablo Zoido (2004) "How to Subvert Democracy: Montesinos in Peru," *Journal of Economic Perspectives* 18(4): pp. 69-92.
- Djankov, Simeon, Caralee McLiesh, Tatiana Nenova and Andrei Shleifer (2003) "Who Owns the Media?" *Journal of Law and Economics* 46(2): pp. 341-382.
- Gehlbach, Scott and Konstantin Sonin (2012) "Government Control of the Media," Unpublished paper, University of Wisconsin, July 2012 version.
- Gentzkow, Matthew, Nathan Petek, Jesse Shapiro, and Michael Sinkinson (2012) "Do Newspapers Serve the State? Incumbent Party Influence on the US Press, 1869-1928," Unpublished paper, Chicago Booth School of Business, June 2012 version.
- 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(4): pp. 645-668.
- Callen M., and J. Long (2011) "Institutional Corruption and Election Fraud: Evidence from a Field Experiment in Afghanistan".
- Banerjee A., S. C. Kumar, R. Pande, and F. Su, (2010), "Do Informed Voters Make Better Choices? Experimental Evidence from Urban India".
- Olken, B. (2007), "Monitoring Corruption: Evidence from a Field Experiment in Indonesia," *Journal of Political Economy*, 115(2).
- DellaVigna, S. and E. Kaplan (2007), "The Fox News Effect: Media Bias and Voting," *Quarterly Journal of Economics*, 122, 1187-1234.
- Jensen, Robert, and Emily Oster (2008). *The Power of TV: Cable Television and Women's Status in India.* *Quarterly Journal of Economics*.
- La Ferrara, Eliana, Alerto Chong, and Suzanne Duryea (2008), *.Soap Operas and Fertility: Evidence from Brazil.* Working paper. Department of Economics. Bocconi University.
- Olken, Benjamin (2008). *.Do Television and Radio Destroy Social Capital?.* NBER Working Paper No.12561.
- Reinikka, Ritva, and Jakob Svensson (2004), *.Local Capture: Evidence from a Central Government Transfer Program in Uganda.* *Quarterly Journal of Economics* 119:2, pp. 679-705
- Stromberg, D. (2004): *Radio's Impact on Public Spending*, *Quarterly Journal of Economics*, 119, pp. 189–221.

Media Bias and Voting

- * Gentzkow, Matthew and Jesse M. Shapiro (2006) "Media Bias and Reputation," *Journal of Political Economy* 114(2): pp. 280-316.
- Mullainathan, Sendhil and Andrei Shleifer (2005) "The Market for News," *American Economic Review* 95(4): pp. 1031-1053.
- DellaVigna, Stefano and Ethan Kaplan (2007) "The Fox News Effect: Media Bias and Voting," *Quarterly Journal of Economics* 122(3): pp. 1187-1234.
- Gerber, Alan S., Dean Karlan, and Daniel Bergan (2009) "Does the Media Matter? A Field Experiment Measuring the Effect of Newspapers on Voting Behavior and Political Opinions," *American Economic Journal: Applied Economics* 1(2): pp. 35-53.

- Gentzkow, Matthew, Michael Sinkinson and Jesse M. Shapiro (2011) “The Effect of Newspaper Entry and Exit on Electoral Politics,” *American Economic Review* 101: pp. 2980-3018.
- Enikolopov, Ruben, Maria Petrova and Ekaterina Zhuravskaya (2011) “Media and Political Persuasion: Evidence from Russia,” *American Economic Review* 101: pp. 3253-3285.

What Happens When Women are in Politics?

- Chattopadhyay, Raghavendra, and Duflo (2004), "Women as Policy Makers: Evidence from a Randomized Policy Experiment in India," *Econometrica*, 72(5).
- Gagliarducci, S. and D. Paserman (2010): “Gender interactions within hierarchies: evidence from the political arena”, Forthcoming RESTUD
- Ferreira F. and Gyourko J. (2011): “Does Gender Matter for Political Leadership? The Case of U.S. Mayors*”. Working Paper
- Brollo F. and U. Troiano (2011), “What Happens When a Woman Wins a Close Election? Evidence from Brazil,” Mimeo
- Tate G. and L. Yang (2011), “Female Leadership and Gender Equity: Evidence from Plant Closure”
- Alesina A. N. Nunn and Paola Giuliano (2011), “On the Origins of Gender Roles: Women and the Plough”, NBER Working Paper No. 16718.

The Political Economy of the Environment