
SS 210b

Winter 2023

Political Economy

W 9:00–12pm

B125 Baxter Hall

Instructor:

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Baxter 104

Office Hours: By appointment

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Overview

This class is designed as a seminar for second year (+) graduate students. The goal is to discuss applications of dynamic models to political economy with a focus on bargaining in legislatures and bargaining on the eve of conflict. Substantively, we examine the sources of political power, institutions, and how they change over time. Specific topics include legislative policy making, endogenous political institutions, and group conflict; if timing permits, then we also consider theories of elections and public goods. Theoretically, we will work through both classic and more current dynamic models in political economy so you can better learn a set of interrelated modeling tools and feel comfortable working with these types of models in your dissertation research.

Course Materials

Course materials can be found on Google Drive.

Requirements

Each student must present two papers of their choosing. We will break the presentations up and disperse them throughout the semester. Everyone one will take 90 minutes to present a paper around midterms and another paper around finals. We will assign presentation times for the first round after the first day and after February 8 for the second round. The papers can be drawn from either the *Optional References* sections or the bulleted

lists that were not covered in class due to timing reasons. Feel free to present other papers that use dynamic models or tools that related to the topics we cover as long as you obtain advanced permission. Alternatively, let me know what research topics you are interested in and I may be able to find a related paper. During the presentations, you should discuss the substantive motivation for the models, the main results, some of their proofs, and thoughts or questions for future work. Ideally, you will cover papers that are either related to your dissertation work or broader research interests, although the list below is very political institutions and conflict heavy. In addition, I welcome opportunity for us to chat about your selected paper before the presentation.

Evaluation

You will be evaluated on your class participation, presentation of research papers, and contribution to your classmates' understanding of the material.

Course schedule

The course schedule is on Google Sheets in the Google Drive folder. You can also use the link to coordinate on presentation times and paper selection. I will present a few papers on legislative bargaining at the beginning of the quarter and then transition to bargaining under threat of conflict after midterms.

Suggested Topics

Bargaining review

- Rubinstein, A., (1982). Perfect equilibrium in a bargaining model. *Econometrica*, 50(1), 97–109.
- *Optional References*
 - Jehiel, P. and Moldovanu, B., 1995. Negative externalities may cause delay in negotiation. *Econometrica*, pp. 1321–1335.
 - Cai, H. (2000). Delay in multilateral bargaining under complete information. *Journal of Economic Theory*, 93(2), 260–276.

- Dixit, A., Grossman, G. M., & Gul, F. (2000). The dynamics of political compromise. *Journal of Political Economy*, 108(3), 531–568.
- Iaryczower, M., & Oliveros, S. (2017). Competing for loyalty: the dynamics of rallying support. *American Economic Review*, 107(10), 2990–3005.

Legislative Policy Making

- Baron, D. P., & Ferejohn, J. A. 1989. Bargaining in legislatures. *American Political Science Review*, 83(4), 1181–1206.
- Banks, J. S., & Duggan, J., 2000. A bargaining model of collective choice. *American Political Science Review*, 94(1), 73–88.
- Cho, S. J., & Duggan, J. 2003. Uniqueness of stationary equilibria in a one-dimensional model of bargaining. *Journal of Economic Theory*, 113(1), 118–130.
- Banks, J. S., & Duggan, J. 2006. A social choice lemma on voting over lotteries with applications to a class of dynamic games. *Social Choice and Welfare*, 26(2), 285–304.
- Banks, J.S. and Duggan, J., 2006. A general bargaining model of legislative policy-making. *Quarterly Journal of Political Science*, 1(1), pp.49-85.
- *Optional References*
 - Eraslan, H. 2002. Uniqueness of stationary equilibrium payoffs in the Baron-Ferejohn model. *Journal of Economic Theory*, 103(1), 11–30.
 - Kalandrakis, T. 2015. Computation of equilibrium values in the Baron and Ferejohn bargaining model. *Games and Economic Behavior*, 94, 29–38.
 - Kalandrakis, T., 2021. A priori bounds on legislative bargaining agreements. *American Journal of Political Science*, forthcoming.
 - Baranski, A. and Morton, R., 2021. The determinants of multilateral bargaining: A comprehensive analysis of Baron and Ferejohn

- majoritarian bargaining experiments. *Experimental Economics*, 1-30.
- Ali, S.N., Bernheim, B.D. and Fan, X., 2019. Predictability and power in legislative bargaining. *Review of Economic Studies*, 86(2), 500-525.

Bargaining Applications

- McKelvey, R. D., & Riezman, R. 1992. Seniority in legislatures. *American Political Science Review*, 86(4), 951–965.
- Kalandrakis, T. 2006. Proposal rights and political power. *American Journal of Political Science*, 50(2), 441–448.
- *Optional References*
 - Austen-Smith, D., & Wallerstein, M. 2006. Redistribution and affirmative action. *Journal of Public Economics*, 90(10), 1789–1823.
 - Diermeier, D., Prato, C., & Vlaicu, R. 2015. Procedural choice in majoritarian organizations. *American Journal of Political Science*, 59(4), 866–879.
 - Volden, C. & Wiseman, A.E., 2007. Bargaining in legislatures over particularistic and collective goods. *American Political Science Review*, 101(1), 79-92.
 - * Could be paired with: Frechette, G.R., Kagel, J.H. and Morelli, M., 2012. Pork versus public goods: an experimental study of public good provision within a legislative bargaining framework. *Economic Theory*, 49(3), 779-800.
 - * Could be paired with: Baranski, A., Haas, N. and Morton, R., 2020. Majoritarian Bargaining over Budgetary Divisions and Policy. Manuscript, NYU Abu Dhabi.
 - Nunnari, S. & Zapal, J. 2016. Gambler’s fallacy and imperfect best response in legislative bargaining. *Games and Economic Behavior*, 99, 275–294.
 - Rosenstiel, L., 2022. Congressional Bargaining and the Distribution of Grants. *Legislative Studies Quarterly*, forthcoming.

- Martin, G.J., 2018. Dividing the dollar with formulas. *Journal of Politics*, 80(2), 479–493.
- Knight, B., 2005. Estimating the value of proposal power. *American Economic Review*, 95(5), 1639–1652.
- Choate, T., Weymark, J.A. and Wiseman, A.E., 2019. Partisan strength and legislative bargaining. *Journal of Theoretical Politics*, 31(1), 6–45.
- Jackson, M.O. and Moselle, B., 2002. Coalition and party formation in a legislative voting game. *Journal of Economic Theory*, 103(1), 49–87.
- Judd, G. 2022. Access to Proposers and Influence in Collective Policymaking. *Journal of Politics*, forthcoming
- Foarta, D. & Morelli M. 2020. Complexity and the Reform Process. Manuscript, Stanford.
- Eguia, J.X. and Shepsle, K.A., 2015. Legislative bargaining with endogenous rules. *Journal of Politics*, 77(4), 1076–1088.
- Chen, Y. and Eraslan, H., 2014. Rhetoric in legislative bargaining with asymmetric information. *Theoretical Economics*, 9(2), 483–513.
- Diermeier, D., Eraslan, H. and Merlo, A., 2003. A structural model of government formation. *Econometrica*, 71(1), 27–70.
- Parameswaran, G., Cameron, C.M. and Kornhauser, L.A., 2021. Bargaining and strategic voting on Appellate Courts. *American Political Science Review*, 115(3), 835–850.
- Dumas, M., 2017. Taking the law to court: Citizen suits and the legislative process. *American Journal of Political Science*, 61(4), pp.944–957.
- Vohra, A. 2021. Majority-Rule Collective Bargaining and the Benefits of Redistribution. Manuscript, University of Georgia.
- Iaryczower, M. and Oliveros, S., 2016. Power brokers: Middlemen in legislative bargaining. *Journal of Economic Theory*, 162, pp. 209–236.

Endogenous Power-Sharing and Democracy

- Acemoglu, D., & Robinson, J. A. 2000. Why did the West extend the franchise? Democracy, inequality, and growth in historical perspective. *Quarterly Journal of Economics*, 115(4), 1167–1199.
- Dower, P.C., Finkel, E., Gehlbach, S. and Nafziger, S., 2018. Collective action and representation in autocracies: Evidence from Russia’s great reforms. *American Political Science Review*, 112(1), 125–147.
- Acemoglu, D., 2005. Politics and economics in weak and strong states. *Journal of Monetary Economics*, 52(7), 1199–1226.
- Gibilisco, M. 2015. Fair Play in Assemblies. *Quarterly Journal of Political Science*, 10(3), 275–320.
- *Optional References*
 - Helmke, G., Kroeger, M. and Paine, J., 2021. Democracy by Deterrence: Norms, Constitutions, and Electoral Tilting. *American Journal of Political Science*, forthcoming.
 - * Could be pair with: Grillo, E. and Prato, C., 2020. Reference Points and Democratic Backsliding. Manuscript, Columbia
 - Doepke, M., & Tertilt, M. (2009). Women’s Liberation: What’s in it for Men?. *Quarterly Journal of Economics*, 124(4), 1541–1591.
 - Lizzeri, A. and Persico, N., 2004. Why did the elites extend the suffrage? Democracy and the scope of government, with an application to Britain’s “Age of Reform”. *Quarterly Journal of Economics*, 119(2), 707–765.
 - Myerson, R. (2008). The autocrat’s credibility problem and foundations of the constitutional state. *American Political Science Review*, 102(1), 125–139.
 - Francois, P., Rainer, I. and Trebbi, F., 2015. How is power shared in Africa?. *Econometrica*, 83(2), 465–503.
 - Jeon, J. S. 2016. Them as Has, Gets: A Dynamic Model of Endogenous Proposal Power. Manuscript, FSU.
 - Anesi, V. and Buisseret, P., 2022. The Politics of Collective Principals. Manuscript, Harvard
 - Invernizzi, G.M. and Ting, M., 2021. Political Norms. Manuscript, Columbia.

Conflict and Commitment Problems

- Fearon, D. 1996. Bargaining over objects that influence future bargaining power. Manuscript, Stanford.
- Gibilisco M. 2017. Decentralization and the Gamble for Unity. Manuscript, Caltech.
- *Optional References*
 - Powell, R., 2013. Monopolizing violence and consolidating power. *Quarterly Journal of Economics*, 128(2), 807–859.
 - Krainin, C., & Wiseman, T. (2016). War and stability in dynamic international systems. *Journal of Politics*, 78(4), 1139–1152.
 - Benson, B. and Smith, B., 2021. Commitment Problems in Alliance Formation. *American Journal of Political Science*, forthcoming.
 - Powell, R., 2020. Power Sharing with Weak Institutions. Manuscript, Berkeley.
 - Francois, P., Rainer, I., & Trebbi, F. (2015) The dictator’s inner circle. Manuscript, UBC.
 - Qiu, X., 2022. Rebel Strategies and the Prospects for Peace. *American Journal of Political Science*, 66(1), 140-155.
 - Morelli, M. and Rohner, D., 2015. Resource concentration and civil wars. *Journal of Development Economics*, 117(Nov.) pp. 32–47.
 - Herrera, H., Morelli, M. and Nunnari, S., 2022. A Theory of Power Wars. *Quarterly Journal of Political Science*, 17(1), pp. 1–30.

Elections (We will most likely run out of time)

- Alesina, A. 1988. Credibility and policy convergence in a two-party system with rational voters. *American Economic Review*, 78(4), 796–805.

- Duggan, J., 2000. Repeated elections with asymmetric information. *Economics & Politics*, 12(2), 109–135.
- Fearon J., 1999. Electoral accountability and the control of politicians: selecting good types versus sanctioning poor performance. In *Democracy, Accountability, and Representation*, ed. Przeworski, A., Stokes, S., and Manin., B. New York: Cambridge University Press
- *Optional References*
 - Acharya, A., Lipnowski, E., & Ramos J. 2020. Optimal Political Career Dynamics. Manuscript, Stanford
 - Fearon, J.D., 2011. Self-enforcing democracy. *Quarterly Journal of Economics*, 126(4), 1661–1708.
 - Bernhardt, D., Campuzano, L., Squintani, F., & Camara, O., 2009. On the Benefits of Party Competition. *Games and Economic Behavior*, 66(2), 685–707.
 - Bils, P., Duggan, J. and Judd, G., 2021. Lobbying and policy extremism in repeated elections. *Journal of Economic Theory*, 193(April), pp. 105–223.
 - Forand, J., 2014 Two-party competition with persistent policies. *Journal of Economic Theory*, 152, 64–91.
 - Sieg, H., & Yoon, C., 2016. Estimating Dynamic Games of Electoral Competition to Evaluate Term Limits in US Gubernatorial Elections. *American Economic Review*, 107(7), 1824–1857.

Bargaining with an endogenous status quo

- Baron, D. (1996). A dynamic theory of collective goods programs. *American Political Science Review*, 90(2), 316–330.
- Kalandrakis, A. (2004). A three-player dynamic majoritarian bargaining game. *Journal of Economic Theory*, 116(2), 2941–32214.
- Anesi, V., & Seidmann, D. J. (2015). Bargaining in standing committees with an endogenous default. *Review of Economic Studies*, 82(3), 825–867.
- *Optional References*

- Zapal, J. (2016). Markovian equilibria in dynamic spatial legislative bargaining: Existence with three players. *Games and Economic Behavior*, 98, 235–242.
- Kalandrakis, A. (2016). Pareto efficiency in the dynamic one-dimensional bargaining model. *Journal of Theoretical Politics* 28 (4), 525–536.
- Callander, S., & Martin, G. J. (2017). Dynamic Policymaking with Decay. *American Journal of Political Science*, 61(1), 50–67.
- Dziuda, W., & Loeper, A. (2016). Dynamic collective choice with endogenous status quo. *Journal of Political Economy*, 124(4), 1148–1186.
- Zapal, J. (2011). Explicit and implicit status-quo determination in dynamic bargaining: Theory and application to FOMC directives. Manuscript, CERGE-EI.
- Bowen, T.R., Chen, Y. and Eraslan, H., 2014. Mandatory versus discretionary spending: The status quo effect. *American Economic Review*, 104(10), 2941–74.

Public Goods

- Battaglini, M., & Coate, S. (2007). Inefficiency in legislative policymaking: A dynamic analysis. *American Economic Review*, 97(1), 118–149.
- Battaglini, M., Nunnari, S. and Palfrey, T.R., 2012. Legislative bargaining and the dynamics of public investment. *American Political Science Review*, 106(2), 407–429.
- *Optional References*
 - Azzimonti, M. (2011). Barriers to investment in polarized societies. *American Economic Review*, 101(5), 2182–2204.
 - Battaglini, M., & Coate, S. (2008). A dynamic theory of public spending, taxation, and debt. *American Economic Review*, 98(1), 201–236.
 - Battaglini, M., 2021. Chaos and Unpredictability in Dynamic Social Problems. Manuscript, Cornell.
 - Foarta, D., and Ting M., 2022. Organizational Capacity and Project Dynamics, Manuscript, Stanford

Final Disclaimer

The schedule, policies, procedures, and assignments in this course are subject to change in the event of extenuating circumstances, by mutual agreement, and/or to ensure better student learning.