

Political Economy of Institutions

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Spring 2010

- Office hours: Tue 2:45 .

INTRODUCTION

The main activities of special interest groups include lobbying, campaign contributions, direct mobilization of citizens, and providing information to the public. Clearly all of them have political significance, and we will study both theoretically and empirically the most significant channels of influence on policies, sometimes through the influence on elected officials (before or after the election) and sometimes through influence on bureaucrats.

Text: *Special Interest Politics*, by Gene Grossman and Elhanan Helpman (MIT Press, 2001). This book covers many of the canonical models of elections and interest group politics, and will serve as the vehicle for communicating many course concepts. The goal is to obtain knowledge of the basic theoretical models of voting and influencing politicians, both through the provision of (possibly biased) information and through campaign contributions.

REQUIREMENTS

Students are expected to have completed a course in game theory as a prerequisite for enrollment.

Students will be evaluated on the basis of the following:

- Take-home exam (60%) and
- paper proposal, containing an interesting question, description of feasible results to go after, and some preliminary analysis (40%).

The paper should identify an interesting question and show that the attempted answer is both sensible and feasible.

The take-home exam will be assigned on the 29th of March and will be due on April 9; the paper proposal is due on April 12.

SCHEDULE

(GH = Grossman-Helpman book)

- March 3 and 5: Introduction, Voting and Elections GH Ch. 2.
Osborne, Martin J., and Al Slivinski. 1996. "A Model of Political Competition with Citizen Candidates." *Quarterly Journal of Economics* 111(1): 65-96.
Also GH Ch. 3. and Herrera, Helios, and Massimo Morelli 2009, "Turnout and Power Sharing." Mimeo.

- March 10 and 12: Information and Lobbying
GH Ch. 4.
Bennedsen, Morten, and Sven E. Feldmann. 2002. "Lobbying Legislatures." *Journal of Political Economy* 110(4): 919-946.
Dewatripont, Mathias, and Jean Tirole. 1999. "Advocates." *Journal of Political Economy* 107: 1-39.
Gilligan, Thomas, and Keith Krehbiel. 1987. "Collective Decisionmaking and Standing Committees: An Informational Rationale for Restrictive Amendment Procedures." *Journal of Law, Economics, and Organization* 3(2): 287-335.
Krishna, Vijay, and John Morgan. 2001. "A Model of Expertise." *Quarterly Journal of Economics* 116: 747-775.

- March 15 and 17: Costly Lobbying, Educating Voters GH Chs. 5, 6.
Ashworth, Scott. 2006. "Campaign Finance and Voter Welfare with Entrenched Incumbents." *American Political Science Review* 100(1): 55-68.
Austen-Smith, David. 1995. "Campaign Contributions and Access." *American Political Science Review* 89(3): 566-581.
Grossman, Gene M., and Elhanan Helpman. 1999. "Competing for Endorsements." *American Economic Review* 89(3): 501-524.
Prat, Andrea. 2002. "Campaign Advertising and Voter Welfare." *Review of Economic Studies* 69(4): 997-1017.

- Remaining lectures: Buying and Competing for Influence GH Chs. 7, 8.
Gailmard, Sean. 2009. "Multiple Principals and Oversight of Bureaucratic Policy-Making." *Journal of Theoretical Politics*, forthcoming.
Grossman, Gene M., and Elhanan Helpman. 1994. "Protection for Sale." *American Economic Review* 84(4): 833-850.

If time allows: Influencing a Legislature GH Ch. 9.

Groseclose, Tim, and James M. Snyder. 1996. "Buying Supermajorities."

American Political Science Review 90(2): 303-315.

McCarty, Nolan. 2000. "Presidential Pork: Executive Veto Power and Distributive Politics." *American Political Science Review* 94(1): 117-129.

- Other interesting extensions: Influencing a Bureaucracy Alesina, Alberto, and Guido Tabellini. 2007. "Bureaucrats or Politicians? Part I: A Single Policy Task." *American Economic Review* 97(1): 169-179.

Prendergast, Canice. 2003. "The Limits of Bureaucratic Efficiency." *Journal of Political Economy* 111(5): 929-958.