

SS 210: POLITICAL ECONOMY

Fall 2009

LEEAT YARIV

CLASS MEETINGS

Mondays, 5 – 8PM, in 210 Baxter.

PREREQUISITES

Basic knowledge of probability and game theory are necessary.

REQUIREMENTS

Formal requirements will be composed of:

- **Class Presentations:** When presenting a paper, make sure to spell out the question, identify why it is important, extract the essence of the argument, describe what the paper does, and then provide your judgment of the paper.
- **Individual Papers:** You should hand a ~5 page (1.5 line spaced, 11 pt font) proposal for a paper on **10.30**. This should outline a question, its context in the literature, why it is important, and the type of results you are looking for. You should hand an expanded 15 page version (1.5 line spaced, 11 pt font) by **12.4**. The expanded version should include preliminary results. If your project is theoretical in nature, you should sketch a model and provide some basic insights from the model. If it is empirical, you should describe precisely the data sources you will be using and empirical techniques you plan to utilize. Short (15 mins) class presentations of the paper will take place on the last day of class, **11.30**.

CONTACTING ME

Office: 301C Baxter Hall.

Feel free to e-mail me at lyariv@hss.caltech.edu to schedule a time to talk about class material or about your research interests.

COURSE WEBSITE

The syllabus, problem sets, and announcements will be posted on the class website: <http://www.hss.caltech.edu/~lyariv/SS210.htm>

OUTLINE

The goal of the class is to introduce students to tools of formal modeling in the current voting literature as well as to provide an overview of the state of the art of models (and some experiments) pertaining to deliberations, political information processing, and institutional design.

In particular, we will discuss how different institutions affect strategic behavior, how communication affects individual choices, and how political debate can be formally modeled. The interplay between the theoretical predictions and those observed in the field or in the lab will be explored throughout.

The following is a tentative road-map for the class. I am very open to spending more time on topics that students find exciting.

0. Introduction.
1. First defense of majoritarian elections: LLN and Condorcet's jury theorem.
2. Second defense of majoritarian elections: strategic behavior and its experimental validity.
3. Costly voting.
4. Costly information.
5. Deliberative democracy: cheap talk, the revelation principle, and some formal results on voting with communication (restricted through protocols or by the underlying social network, or unrestricted).
6. The media as a form of deliberations – polls, political advertising and its connections to categorization.
7. Political systems as auctions.

READING LIST

1. LLN and Condorcet's Jury Theorem

Condorcet, Marquis de. (1785), *Essai sur l'application de l'analyse à la probabilité des décisions rendues à la probabilité des voix*. Paris: De l'imprimerie royale, translated in 1976 to "Essay on the Application of Mathematics to the Theory of Decision-Making." in *Condorcet: Selected Writings*, ed. Keith M. Baker. Indianapolis, IN: Bobbs-Merrill.

Feller, W. [1968], *An Introduction to Probability Theory and Its Applications*, Volume I, Third Edition, John Wiley & Sons.

Young, H. P. [1988], "Condorcet's Theory of Voting," *American Political Science Review*, 82(4), 1231-1244 (JSTOR).

2. Strategic Voting and its Experimental Validity

*Austen-Smith, D. and Banks, J. [1996], "Information Aggregation, Rationality, and the Condorcet Jury Theorem," *The American Political Science Review*, Vol. 90(1), 34-45 (JSTOR).

Battaglini, M., Morton, R., and Palfrey, T. [2008], "The Swing Voter's Curse in the Laboratory," *Review of Economic Studies*, forthcoming (available at: <http://www.princeton.edu/~mbattagl/swingvoter.pdf>).

Dekel, E. and Piccione, M. [2000], "Sequential Voting Procedure in Symmetric Binary Elections," *Journal of Political Economy*, Vol. 108(1), 34-55 (JSTOR).

*Feddersen, T. and Pesendorfer, W. [1996], "The Swing Voter's Curse," *American Economic Review*, Vol. 86(3), 408-424 (JSTOR).

Feddersen, T. J. and Pesendorfer, W. [1997], "Voting Behavior and Information Aggregation in Elections with Private Information," *Econometrica*, Vol. 65(5), 1029-1058 (JSTOR).

Feddersen, T. J. and Pesendorfer, W. [1998], "Convicting the Innocent: The Inferiority of Unanimous Jury Verdicts," *American Political Science Review*, Vol. 92(1), 23-35 (JSTOR).

Feddersen, T. J. and Pesendorfer, W. [1999], "Abstention in Elections with Asymmetric Information and Diverse Preferences," *American Political Science Review*, Vol. 93(2), 381-398 (JSTOR).

Fey, M. and Kim, J. [2002], "The Swing Voter's Curse: Comment," *American Economic Review*, Vol. 92(4), 1264-1268 (JSTOR).

*Guarnaschelli, S., McKelvey, R. C., and Palfrey, T. R. [2000], "An Experimental Study of Jury Decision Rules," *American Political Science Review*, Vol. 94(2), 407-423 (JSTOR).

Myerson, R. [1998], "Extended Poisson Games and the Condorcet Jury Theorem," *Games and Economic Behavior*, Vol. 25, 111-131.

3. Costly Information

Downs, A. [1957], *An Economic Theory of Democracy*, Harper-Collins Publishers.

Gerardi, D. and Yariv, L. [2008], "Information Acquisition in Committees," *Games and Economic Behavior*, Vol. 62, 436-459 (LY's website).

Gershkov, A. and Szentes, B. [2008], "Optimal Voting Schemes with Costly Information Acquisition," *Journal of Economic Theory*, forthcoming (available at: <http://home.uchicago.edu/~szentes/votingp.pdf>).

*Persico, N. [2004], "Committee Design with Endogenous Information," *The Review of Economic Studies*, Vol. 71(1), 165-194 (JSTOR).

*Martinelli, C. [2006], "Would Rational Voters Acquire Costly Information?," forthcoming in *Journal of Economic Theory*, Vol. 129, 225-251 (Caltech library).

4. Costly Voting

*Borgers, T. [2004], "Costly Voting," *American Economic Review*, Vol. 94(1), 57-66 (JSTOR).

*Goeree, J. K. and Großer, J. [2007], "Welfare Reducing Polls," *Economic Theory*, Vol. 31(1), 51-68 (available at: <http://www.hss.caltech.edu/~jkg/welfarereducingpolls.pdf>).

Krasa, S. and Polborn, M. [2008], "Is Mandatory Voting Better than Voluntary Voting?," *Games and Economic Behavior*, Vol. 66, 275-291 (Caltech library).

Palfrey, T. and Levine, D. [2007], "The Paradox of Voter Participation? A Laboratory Study," *American Political Science Review*, Vol. 101, 143-158 (available

at: <http://levine.sscnet.ucla.edu/papers/turnout6.pdf>).

*Palfrey, T. and Rosenthal, H. [1985], "Voter Participation and Strategic Uncertainty," *American Political Science Review*, Vol. 79(1), 62-78 (JSTOR).

5. Deliberative Democracy

5a. Initial Attempts and Tools

*Austen-Smith, D. and Banks, J. S. [2000], "Cheap Talk and Burned Money," *Journal of Economic Theory*, Vol. 91, 1-16 (Caltech library).

*Crawford, V. and Sobel, J. [1982], "Strategic Information Transmission," *Econometrica*, Vol. 50, 1431-1451 (JSTOR).

Goltzman, M., Horner, J., Pavlov, G., and Squintani, F. [2008], "Mediation, Arbitration and Negotiation," *Journal of Economic Theory*, forthcoming (available at: <http://www.ssc.uwo.ca/economics/faculty/pavlov/workingpapers/mediator.pdf>)

Elster, J. [1998], *Deliberative Democracy*, Cambridge University Press.

*Myerson, R. [1991], *Game Theory: Analysis of Conflict*, Cambridge University Press, Chapter 6.

5b. Communication through Voting and Polls

*Coughlan, P. [2000], "In Defense of Unanimous Jury Verdicts: Mistrials, Communication, and Strategic Voting," *American Political Science Review*, Vol. 94(2), 375-393 (JSTOR).

*Fey, M. [1997], "Stability and Coordination in Duverger's Law: A Formal Model of Preelection Polls and Strategic Voting," *American Political Science Review*, Vol. 91, 135-147 (JSTOR).

Martinelli, C. [2002], "Simple Plurality versus Plurality Runoff with Privately Informed Voters," *Social Choice and Welfare*, Vol. 19, 901-920 (working paper version available at: <http://ftp.itam.mx/pub/academico/inves/martinelli/00-04.pdf>) .

*Piketty, T. [2000], "Voting as Communicating," *The Review of Economic Studies*, Vol. 67, 169-191 (JSTOR).

5c. Unstructured Communication

Austen-Smith, D. and Feddersen, T. [2006], "Deliberation, Preference Uncertainty and Voting Rules," *American Political Science Review*, Vol. 100, 209-217 (available at:

<http://www.kellogg.northwestern.edu/faculty/fedderse/homepage/papers/DeliberationWP2-11-08-02.pdf>).

*Chwe, M. [1999], "Minority Voting Rights Can Maximize Majority Welfare." *American Political Science Review*, Vol. 93, 85-97 (JSTOR).

*Chwe, M. [2008], "A Robust and Optimal Anonymous Procedure for Condorcet's Model," mimeo, (available at: <http://www.chwe.net/michael/bias.pdf>).

*Gerardi, D. and Yariv, L. [2006], "Deliberative Voting," *Journal of Economic Theory*, Vol. 134, 317-338 (LY's website).

Goeree, J. K. and Yariv, L. [2009], "An Experimental Study of Jury Deliberation," mimeo (LY's website).

Hafer, C. and Landa, D. [2007], "Deliberations as Self-Discovery and Institutions for Political Speech," *Journal of Theoretical Politics*, Vol. 19(3), 329-360 (available at: <http://politics.as.nyu.edu/docs/IO/2784/SelfDiscoveryJTP.pdf>).

5d. The Effects of Social Networks on Communication

Fowler, J. [2005], "Turnout in a Small World," in Alan Zuckerman, ed., *Social Logic of Politics*, Temple University Press, 269-287 (available at: http://jhffowler.ucdavis.edu/turnout_in_a_small_world.pdf).

Huckfeldt, R. [2005], "Unanimity, Discord, and the Diffusion of Public Opinion: How Opinion Variance Affects Political Communication among Citizens," mimeo (available at: <http://psfaculty.ucdavis.edu/huckfeldt/mw05.pdf>).

*Jackson, M. and Yariv, L. [2007], "Diffusion of Behavior and Equilibrium Properties in Network Games," *American Economic Review* (Papers and Proceedings), Vol. 97(2), 92-98 (LY's website).

*Newman, M. E. J. [2003], "The Structure and Function of Complex Networks," *SIAM Review*, Vol. 45, 167-256 (available at: <http://www-personal.umich.edu/~mejn/courses/2004/cscs535/review.pdf>).

6. The Media as a Form of Deliberations

*Gentskow, M. [2006], "Television and Voter Turnout, *Quarterly Journal of Economics*, Vol. CXXI (3) (available at: <http://faculty.chicagogsb.edu/matthew.gentzkow/research/TV.pdf>).

*Gentskow, M. and Shapiro, J. M. [2006], "Media Bias and Reputation," *Journal of Political Economy*, Vol. 114(2) (available at: <http://faculty.chicagogsb.edu/matthew.gentzkow/research/BiasReputation.pdf>).

*Gerber, A. S., and Green, D. P. [2000], "The Effects of Canvassing, Direct Mail, and Telephone Contact on Voter Turnout: A Field Experiment," *American Political Science Review*, Vol. 94, 653-63 (JSTOR).

*Imai, K. [2005], "Do Get-Out-The-Vote Calles Reduce Turnout? The Importance of Statistical Methods for Field Experiments," *American Political Science Review*, Vol. 99(2) (available at: <http://www.princeton.edu/~kimai/research/files/matching.pdf>).

Iyengar, S. and McGuire, W. J. [1993], *Explorations in Political Psychology*, Duke University Press.

*Mullainathan, S. and Shleifer, A. [2005], "The Market for News," forthcoming in *American Economic Review* (available at: http://post.economics.harvard.edu/faculty/shleifer/papers/marketfornews_090904.pdf).

Nickersen, D. W., Friedrichs, R. D., and King, D. [2006], "Partisan Mobilization Campaigns in the Field: Results from a Statewide Turnout Experiment in Michigan," *Political Research Quarterly*, Vol. 59(1), 85-97 (available at: <http://research.yale.edu/GOTV/?q=node/25>).

7. Political Systems as Auctions

*Baye, M. R., Kovenock, D., de Vries, C. G. [1993], "Rigging the Lobbying Process: An Application of the All-Pay Auction," *American Economic Review*, Vol. 83(1), 289-294 (JSTOR).

*Che, Y-K and Gale, I. L. [1998], "Standard Auctions with Financially Constrained Bidders," *The Review of Economic Studies*, Vol. 65(1), 1-21 (JSTOR).

*Che, Y-K and Gale, I. L. [1998], "Caps on Political Lobbying," *American Economic Review*, Vol. 88(3), 643-651 (JSTOR).

Persico, N. [2007], "Games of Redistributive Politics are Equivalent to All-Pay Auctions with Consolation Prizes," mimeo (available at: <http://nicolapersico.com/files/klemperer3.pdf>).

Persico, N. and Sahguet, N. [2006], "Campaign Spending Regulation in a Model of Redistributive Politics," *Economic Theory*, Vol. 28(1), 95-124 (available at: <http://www.nicolapersico.com/papers/>).

Siegel, R. [2009], "All-Pay Contests," *Econometrica*, Vol. 77(1), 71-92 (available at: <http://faculty.wcas.northwestern.edu/~rsi665/all-pay-contests.pdf>).

*Szentes, B. and Rosenthal, R. [2003], "Two-Object Two-Bidder Simultaneous Auctions: Chopsticks and Tetrahedra," *Games and Economic Behavior*, Vol. 44, 114-133 (Caltech library).