

POLI 229 - Fall 2020  
Tuesday 9:00AM-11:50AM  
Remote Classroom.

CLASS SESSIONS WILL BE RECORDED AND MADE AVAILABLE TO  
STUDENTS ASYNCHRONOUSLY

Video and audio recording, or other personal information, will only be used for instructional purposes. UC San Diego does not allow vendors to use this information for any other purposes. Recordings will be deleted when no longer necessary. If an impropriety is suspected, however, the recording may become part of the student's administrative disciplinary record. If you do not want to be recorded during class, please send me your questions and/or comments by email.

## Political-Economic Cycles

Prof. Sebastian M. Saiegh  
ssaiegh@ucsd.edu  
Remote Office Hours: Wednesday 1:00PM-3:00PM

### Objectives

This course provides an introduction to the the theoretical and empirical work on political-economic cycles. We will examine the main determinants of incumbents' ability and incentives to engineer such cycles to obtain electoral gains. Class sessions will be conducted as seminars led by the instructor. Often the instructor will present material based on the more difficult readings. The pace of this course will be fast. Each week, students are expected to study a model in detail (items under *Study*), and read an empirical paper (items marked as *Read*). Both types of readings are **required**. All students should read them carefully and critically before class. *Recommended* comprises additional readings that provide a survey of each week's main topic. The mathematics will not be difficult. However, some basic knowledge of elementary calculus and of macroeconomics is recommended. Students are expected to take a final examination at the end of the term.

### Theories and Models

Each week we will try to address very complex issues using relatively simple models. In particular, we will attempt to engage in theoretical exercises of abstraction, ignoring many details in order to focus on the most important elements of the problem. With his inimitable fiction, Argentinean writer J. L. Borges illustrated in

“Funes the Memorious” the importance of generalization and abstraction in thought and science:

“He had learned, without effort, English, French, Portuguese, Latin. I suspect, however, that he was not very capable of thinking. To think is to forget differences, to generalize, to abstract. In the over stocked world of Funes there was nothing but details, almost immediate details”

In a similar vein, Paul Krugman argues that the utility of modeling stems from useful simplification:

<http://web.mit.edu/krugman/www/dishpan.html>

On the other hand, as Henri Theil observed, “Models should be used, not believed” (cited in Paper Stones by Przeworski and Sprague). And, as these authors note, models “...are not simplified versions of a complex reality but instruments to be used in analyzing complex situations...” Moreover, there is no such thing as the right degree of abstraction for all analytic purposes. The proper degree of abstraction depends on the issue under consideration. In fact, it may well be the case that a few simplistic assumptions will not be sufficient to reconstruct the complexity of some of the topics covered in this class. And, while we should not necessarily expect our models to fit each and every aspect of reality, we should revise or abandon a theory if it does not withstand a confrontation with our empirical observations. Therefore, it is very important that you learn how to evaluate a model, from its overall logic to its constituent assumptions.

## Course Policies

*Academic Integrity.* Students in this course are expected to comply with UCSD’s Policy on Integrity of Scholarship. In particular, plagiarism is considered a dishonest practice and a serious academic offense. Hence, there will be a zero tolerance policy with respect to these practices: any student violating the obligation of academic integrity during the term will automatically fail the class. Copies of the current version of the UCSD Policy on Integrity of Scholarship, also commonly referred to as the Academic Dishonesty Policy, may be found on the Academic Senate webpage: <http://www-senate.ucsd.edu/AcademicIntegrity/AcademicIntegrity.htm>

*Disabilities.* If you have a disability that requires special testing accommodations or other classroom modifications, you need to notify both me and the Office for Students with Disabilities (OSD). You may be asked to provide documentation of your disability to determine the appropriateness of accommodations. To notify the OSD, call (858) 534-4382 to schedule an appointment.

## Course Outline

### Week 1 (October 6): Introduction

**Read:** Keech, William R. 2013. *Economic Politics in the United States*. New York: Cambridge University Press, Chs. 2-4.

### Week 2 (October 13): Political Economics

**Read:** Persson, Torsten, and Guido Tabellini. 2000. *Political Economics*. Cambridge: MIT Press, ch. 2.

**Background:** Drazen, Allan. 2000. *Political Economy*. New Jersey: Princeton University Press, Ch. 1.

### Week 3 (October 20): Political Competition and Selection

**Study:** Martin J. Osborne and Al Slivinski, “A Model of Political Competition with Citizen-Candidates,” *The Quarterly Journal of Economics*, Vol. 111: 65-96.

**Read:** Dal Bó, Ernesto, Frederico Finan, Olle Folke, Torsten Persson, and Johanna Rickne. 2017. “Who Becomes A Politician?,” *Quarterly Journal of Economics*, Volume 132: 1877-1914.

**Background:** Dewan, Torun, and Kenneth A. Shepsle. 2011. “Political Economy Models of Elections,” *Annual Review of Political Science*, 14:311-30.

### Week 4 (October 27): Electoral Accountability

**Study:** Besley, Timothy. 2006. *Principled agents?*. New York: Oxford University Press, Chapter 3.

**Read:** Ferraz, Claudio, and Frederico Finan. 2011. “Electoral Accountability and Corruption: Evidence from the Audits of Local Governments,” *American Economic Review*, 101 (4): 1274-1311.

**Background:** Neil Malhotra, Neil and Andrew Healy. 2013. “Retrospective Voting Reconsidered,” *Annual Review of Political Science*, Vol. 16:285-306.

### Week 5 (November 3): Political Business Cycles

**Study:** Lohmann, Susanne. 1998. “Rationalizing the Political Business Cycle: A Workhorse Model,” *Economics & Politics*, Vol. 10: 1-17.

**Read:** Kaplan, Stephen B. 2013. *Globalization and Austerity Politics in Latin America*. New York: Cambridge University Press, Ch. 3.

**Background:** Dubois, Eric. 2016. "Political business cycles 40 years after Nordhaus," *Public Choice*, 166: 235-259.

### **Week 6 (November 10): Political Budget Cycles**

**Study:** Gavazza, Alessandro, and Alessandro Lizzieri. 2011. "Transparency and Manipulation of Public Account," *Journal of Public Economic Theory*, Vol. 13: 327-349.

**Read:** Klomp, Jeroen, and Jakob de Haan. 2013. "Political budget cycles and election outcomes," *Public Choice*, Vol. 157: 245-267.

**Background:** Aaskoven, Lasse, and David Dreyer Lassen. 2017. "Political Budget Cycles", *Oxford Research Encyclopedia of Politics*. New York: Oxford University Press.

### **Week 7 (November 17): Conditional PBC**

**Study:** Persson, Torsten, Gerard Roland, and Guido Tabellini. 2000. "Comparative politics and public finance," *Journal of Political Economy*, 108: 1121-1161.

**Read:** Blume, Lorenz, Jens Muller, Stefan Voigt, and Carsten Wolf. 2009. "The economic effects of constitutions: replicating?and extending?Persson and Tabellini," *Public Choice*, 139: 197-225.

**Background:** Alt, James E., and Shanna S. Rose. 2009. "Context?Conditional Political Budget Cycles," in Carles Boix and Susan C. Stokes (eds.). *The Oxford Handbook of Comparative Politics*. New York: Oxford University Press.

### **Week 8 (November 24): Partisan PBC**

**Study:** Alesina, Alberto, and Howard Rosenthal. 1995. *Partisan Politics, Divided Government, and the Economy*. New York: Cambridge Univ. Press, Ch. 7.

**Read:** Blinder, Alan, and Mark W. Watson. 2016. "Presidents and the US Economy: An Econometric Exploration," *American Economic Review*, 106(4): 1015-1045.

**Background:** Franzese, Jr., Robert J. 2002. "Electoral and Partisan Cycles in Economic Policies and Outcomes," *Annual Review of Political Science*, 5: 369-421.

**Week 9 (December 1): Reverse Electoral Business Cycle**

**Study:** Cukierman, Alex. 1980. "The Effects of Uncertainty on Investment under Risk Neutrality with Endogenous Information," *Journal of Political Economy*, Vol. 88: 462-475.

**Read:** Carnahan, Daniel, and Sebastian Saiegh. 2020. "Electoral uncertainty and financial volatility: Evidence from two-round presidential races in emerging markets," forthcoming in *Economics & Politics*.

**Week 10 (December 8): Endogenous Elections**

**Study:** Kayser, Mark Andreas. 2005. "Who Surfs, Who Manipulates? The Determinants of Opportunistic Election Timing and Electorally Motivated Economic Intervention," *American Political Science Review*, Vol. 99: 17-27.

**Read:** Schleiter, Petra, and Margit Tavits. 2016. "The Electoral Benefits of Opportunistic Election Timing," *Journal of Politics*, 78: 836-850.