

Topics in Behavioral Political Economy

Spring 2020

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University of Maryland (rev. 03-03-2020)

SCHEDULE	Thursday	27th February 2020 05 th March 2020 12 th March 2020	De 14ho à 16h00	Salle 2002
	Monday	02th March 2020 09th March 2020 16 th March 2020	De 14ho à 16h00	Salle 2002

This course will focus on integrating recent strands of behavioral economics into models of political economy. The area is sufficiently new that there is not even agreement about what it includes. We will look at both the basis for behavioral approaches and at specific questions and topics, using theoretical models and results from laboratory experiments. The course will look at some or all of the following subjects, focusing on voter and politician behavior: general modeling of non-selfish preferences; bounded rationality; cognitive biases and context effects; overconfidence; aspiration-based adaptive rules; political participation and voter turnout; polarization; and experimental evidence.

1. Overview and Basic Issues

Wilson, R. (2010) "The Contribution of Behavioral Economics to Political Science," *Annual Review of Political Science* **14**): 201-223.

Bendor, J., D. Diermeier, D. Siegel & M. Ting (2011), *A Behavioral Theory of Elections*, Princeton: Princeton University Press. (BDST), chapter 1. [BDST]

Schnellenbach, J. and C. Schubert (2015), Behavioral Political Economy: A Survey," *European Journal of Political Economy* **40** (2015) 395–417.

2. Other Regarding Behavior

Fehr, E. and K. Schmidt (2005), "The Economics of Fairness, Reciprocity and Altruism - Experimental Evidence and New Theories," in *Handbook on the Economics of Giving, Reciprocity and Altruism*.

Rabin, M. (1993), "Incorporating Fairness into Game Theory and Economics," *American Economic Review* **83**, 1281-1302.

Falk, A. and U. Fischbacher (2006), "A Theory of Reciprocity," *Games and Economic Behavior* **54** (2), 293-315.

- Dana, J., R. Weber, and J. Kuang (2007), "Exploiting Moral Wiggle Room: Experiments Demonstrating an Illusory Preference for Fairness," *Economic Theory* 33, 67–80.
- Lazear, E., U. Malmendier, and R. Weber (2012), "Sorting in Experiments with Application to Social Preferences," *American Economic Journal: Applied Economics* 4(1), 136–163.
- Malmendier, U., V. te Velde, and R. Weber (2014), "Rethinking Reciprocity," *Annual Review of Economics* 6, 849–74.
- J. van der Weele, et al. (2014), "Resisting Moral Wiggle Room: How Robust Is Reciprocal Behavior?," *American Economic Journal: Microeconomics* 6(3), 256–264.
- Benabou, R. and J. Tirole. 2006. "Incentives and Prosocial Behavior," *American Economic Review* 96 (5): 1652–78.

3. Aspirations

- Cherepanov, V., T. Feddersen and A. Sandroni, (2013) "Revealed Preferences and Aspirations in Warm Glow Theory," *Economic Theory* 54(3), 501-535.
- Saito, K. (2015), "Impure Altruism and Impure Selfishness," *Journal of Economic Theory* 158(A), 336-70. BDST, ch. 2.

4. Identity

- Akerlof, G. and R. Kranton (2000), "Economics of Identity," *Quarterly Journal of Economics* 115, 715-753.
- Shayo, M. (2009), "A Model of Social Identity with an Application to Political Economy: Nation, Class, and Redistribution," *American Political Science Review* 103(2), 147-174.
- Gennaioli, N. and G. Tabellini (2019), "Identity, Beliefs, and Political Conflict," CESifo Working Paper, No. 7707, Center for Economic Studies and Ifo Institute, Munich.

5. Voter Turnout

- Levine, D. and T. Palfrey (2007), "The Paradox of Voter Participation? A Laboratory Study." *American Political Science Review* 101 (1): 143-158.
- Coate, S. and M. Conlin (2004), "A Group Rule-Utilitarian Approach to Voter Turnout: Theory and Evidence," *American Economic Review* 94, 1476-1504
- Feddersen, T., Sandroni, A (2006), "A Theory of Participation in Elections," *American Economic Review* 96, 1271-92.
- Levine, D. and A. Mattozzi (2017), "Voter Turnout with Peer Punishment", working paper. BDST, ch. 4.
- Ali, S. N. and C. Lin (2013), "Why People Vote: Ethical Motives and Social Incentives," *American Economic Journal: Microeconomics* 5(2): 73–98.
- Goeree, J. and C. Holt (2005), "An Explanation of Anomalous Behavior in Models of Political Participation," *American Political Science Review*, 99(2), 201-213.

6. Beliefs and Polarization

a. Prospect Theory – Loss Aversion and Status Quo Bias

Mercer, Jonathan, 2005, "Prospect Theory and Political Science," *Annual Review of Political Science*, 8: 1-21. <https://www.yumpu.com/en/document/read/29382067/prospect-theory-and-political-science-political-science-department->

Quattrone, G. and Amos Tversky(1998), "Contrasting Rational and Psychological Analyses of Political Choice," *American Political Science Review* 82(3) 719-736.

Chong, D., and J. Druckman (2007), "Framing Theory," *Annual Review of Political Science*, 10: 103-126.

b. Rational Polarization

Gerber, A. and D. Green (1999), "Misperceptions About Perceptual Bias," *Annual Review of Political Science* 2, 189-210.

Dixit, A. and J. Weibull (2007), "Political Polarization," *Proceedings of the National Academy of Sciences* 104(18), 7351-7356.

Andreoni, J., and T. Mylovanov. 2012. "Diverging Opinions," *American Economic Journal: Microeconomics* 4 (1): 209–32.

Benabou, R. (2008), "Ideology," *Journal of the European Economic Association* 6(2/3), 321-352.

c. Confirmation Bias, Correlation Neglect, and Overconfidence

Rabin, M., and J. Schrag (1999), "First Impressions Matter: A Model of Confirmatory Bias," *Quarterly Journal of Economics* 114 (1), 37–82.

Ortoleva, P. and E. Snowberg (2015), "Overconfidence in Political Behavior," *American Economic Review* 105(7), 504-35. : 3071–3083.

7. Voter Choice

Lodge, M., K M. McGraw, and P. Stroh (1989), "An Impression-Driven Model of Candidate Evaluation," *American Political Science Review*, 83(2), 399–419.

Druckman, J. N. (2004) "Political Preference Formation: Competition, Deliberation, and the (Ir)Relevance of Framing Effects," *American Political Science Review* 98 (4): 671-686.

Glaeser, E. and G. Ponzetto (2017), "Fundamental Errors in the Voting Booth," NBER Working Paper 23683.

Callander, S. and C. Wilson (2008), "Context-Dependent Voting and Political Ambiguity," *Journal of Public Economics* 92, 565–581.

BDST, chapter 5.

Nunnari, S and J. Zapal (2018), "A Model of Focusing in Political Choice," working paper.

8. Politician Reactions

BDST, chapter 3.

Tomz, M. and P. Van Houweling (2008), "Candidate Positioning and Voter Choice," *American Political Science Review* 102 (3), 303-318.

Matějka, F. and G. Tabellini (2019), "Electoral Competition with Rationally Inattentive Voters," working paper.

- Diermeier, D. and C. Li (2017), "Electoral Control with Behavioral Voters," *The Journal of Politics* 2017 79:3, 890-902.
- Krupnikov, Y. (2011), "When Does Negativity Demobilize? Tracing the Conditional Effect of Negative Campaigning on Voter Turnout," *American Journal of Political Science* 55(4), 797-813.
- Drazen, A. and E. Yucel, (in progress) "Voter Alienation, Policy Extremism and Negative Advertising," working paper.

9. Behavioral Politicians

- Marcus G., 2000, "Emotions in Politics," *Annual Review of Political Science*, 3: 221-250.
- Drazen, A. and E. Ozbay (2019), "'Does 'Being Chosen to Lead' Induce Non-Selfish Behavior? Experimental Evidence on Reciprocity,'" *Journal of Public Economics* 174, 13-21.
- Corazzini, L., S. Kube, M. A. Maréchal, and A. Nicolò (2014), "Elections and Deceptions: An Experimental Study on the Behavioral Effects of Democracy," *American Journal of Political Science*, 58(3), 579–592.
- Dalmia, P., A. Drazen, and E. Ozbay (2019), "Reelection versus Reciprocity," working paper.
- Van Winden, F. (2015), "Political Economy with Affect: On the Role of Emotions and Relationships in Political Economics," *European Journal of Political Economy* 40, 298–311.