

The Political Economy of Democracy

Master in Social Sciences

Juan March - Carlos III Institute

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Syllabus in progress and subject to changes

Aim of the course

The main aim of this course is to discuss several central aspects of democratic politics and to link them to democratic theory. The central theme of the course will be whether the preferences of citizens are reflected in policy-making. A comparative approach is adopted: attention will be paid to how differences in institutional settings shape two basic issues: the correspondence between preferences and policies and the way politicians are held accountable. As the central mechanism that citizens can count on to influence policy, elections will receive particular attention: whether they are free and fair, how citizens use the ballot to adapt to institutional settings and how they may discipline politicians in office.

Structure of the course

The course is structured in three parts. The first is centered around the defining element of representative democracies, free and competitive elections. Although some contributions

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argue that this is not a sufficient condition, there is a consensus that this institutional arrangement is central in the modern implementation of the democratic principle. Other possible realizations of this principle are reviewed, like lot and direct democracy. Lastly, several phenomena that challenge the nature of elections as free and competitive are discussed, like vote-buying and fraud.

The second part of the course considers two types of institutional variation within democracies, the type of electoral system and the distinction between presidentialism and parliamentarism. The focus of interest are the consequences that this institutional variation has on the way citizen preferences are reflected in the composition of the government and the policies that are enacted. In addition, particular attention will be devoted to the ways in which citizens can adapt to the institutional setting by strategically using their vote to maximize their influence in policy making. This will be applied to both the electoral system and the type of executive-legislative relations.

The last part revolves around accountability. First, the degree of correspondence between policies and electoral promises will be assessed, with a comparative approach. Several theoretical models of accountability are also reviewed. Moreover, empirical studies of whether elections punish and reward politicians will be discussed. Lastly, we will focus our attention on a seldom treated topic, the interaction between electoral and intra-party accountability.

Course requirements

This course has three major requirements:

Participation: (20%): This is a graduate level seminar and participation is an essential component of satisfactory completion of the course.

Response papers: (30%): Each student will be required to write three response papers once we complete each part of the course. To do so, select one of the topics discussed in that part of the course, describe the core aspect of the theoretical debate, and identify shortcomings in both the theoretical discussion and the empirical evidence. **Two pages maximum.**

Research paper (50%): Each student is expected to write a research paper related to the topics covered in the course. The paper must identify a research question, present motivating empirical evidence, describe a research design, and report empirical analyses. Paper proposals will be discussed in class on December 18th. **15 pages maximum.**

1 Free and fair elections as a necessary condition of modern democracy

September 18th Course Presentation. Q& A

September 25th The democratic principle and its different implementations: direct democracy, lot and elections for representatives.

Numerous definitions of democracy have been proposed by different scholars, and the debate is still alive. The purpose of this week will not be to review them. Instead, we will discuss different institutional implementations of its core principle: that public policies reflect the preferences of the citizens, equally considered. As we will see, the nowadays common practice of electing representatives that in turn elaborate policies is only one possible implementation of this principle. The use of lot for the selection of public officials and the direct participation of citizen in public decisions were also attempts to carry out the democratic principle.

Required Readings:

- Bernard Manin. 1997. *The Principles of Representative Government*. Cambridge University Press. Chapters 1 to 4.
- Jean-Jacques Rousseau. 2008 [1762]. *The Social Contract*. Cosimo books. Book 1, Chapters 6-9 and Book 2.

October 2nd Free and competitive elections as a necessary (and maybe sufficient) condition for Democracy.

The defining element of modern democracies is the existence of free and fair elections for representatives of the citizenry. There is disagreement about whether this element is sufficient to characterize a democracy. Minimalist definitions claim that it is the only definitional trait. Others, instead, argue that other factors need to be present for a modern democracy to be such, like effective mandates or strong citizen participation outside of elections. In any case, a wide consensus exists as to the fact that free and fair elections are a *conditio sine qua non* for democratic government.

Required readings:

- Joseph A. Schumpeter. 1950. *Capitalism, Socialism and Democracy*. Harper & Row. Chapter XXII.
- Adam Przeworski. 1999. A Minimalist Conception of Democracy: A Defense. In Ian Shapiro and Casiano Hacker-Gordón. *Democracy's Value*. Cambridge University Press.
- Hanna Pitkin. 1967. *The Concept of Representation*. University of California Press. Chapter 7.
- Benjamin Barber. 1984. *Strong Democracy: Participatory Politics for a New Age*. University of California Press. chapter 6

October 9th Challenges to free and competitive elections.

Having found a necessary condition for democracies to be such allows us to examine empirically when it is that this condition is satisfied in practice. This week's readings discuss several requisites for elections to be free and fair: generalized enfranchisement, absence of fraud and acceptance of election results.

Required readings:

- Adam Przeworski. 2009. Conquered or Granted? A History of Suffrage Extensions. *British Journal of Political Science*, 39: 291-321.
- Daron Acemoglu and James A. Robinson. 2006. *Economic Origins of Dictatorship and Democracy*. Cambridge University Press. In particular, chapters 6 and 7.
- Beatriz Magaloni. 2010. The Game of Electoral Fraud and the Ousting of Authoritarian Rule. *American Journal of Political Science*, 54(3): 751-765.
- Susan C. Stokes. 2005. Perverse accountability: A formal model of machine politics with evidence from Argentina. *American Political Science Review*, 93(3): 315-325.

2 Institutional variation and citizen adaptation to it

October 16th Institutional heterogeneity within democracies (1): Electoral systems

We have seen that a common requirement of any democracy is that elections to be free and fair. However, democracies vary substantially with respect to how the preferences of voters are translated into effective representation. The focus this week will be how electoral systems affect the way preferences are translated into government policies, not so much the relationship between votes and variables like disproportionality and the number of parties.

Background reading:

- Gary W. Cox. 1997. *Making Votes Count: Strategic Coordination in the World's Electoral Systems*. Cambridge University Press. Chapter 3.
- Arend Lijphart. 1990. The political consequences of electoral laws, 1945-1985. *American Political Science Review*, 84(2): 481-496.

Compulsory readings:

- G. Bingham Powell. 2006. Election laws and representative governments. Beyond votes and seats. *British Journal of Political Science*, 36: 291-315.
- Michael D. McDonald and Ian Budge. 2005. *Elections, Parties, Democracy: Conferring the Median Mandate*. Oxford University Press. Chapter 7.

October 23rd Adapting to the electoral system: strategic voting

As we have seen, electoral systems may introduce distortions into the relationship between citizen preferences and the policies that are enacted. This week discusses ways in which voters, anticipating the mechanical effects of electoral systems, can use their vote to maximize their influence in election results. The key element is that voters may end up supporting an alternative that is not the top-ranked one in their preferences. The main weakness of this literature is that it seems to rely on high levels of voter political sophistication.

- Gary W. Cox. *Making Votes Count*. Cambridge University Press. Chapters 4-7.
- Gary W. Cox and Matthew S. Shugart. 1996. Strategic voting under proportional representation. *Journal of Law, Economics and Organization*, 12(2): 299-324.
- R. Michael Alvarez, Frederick Boehmke and Jonathan Nagler. 2006. Strategic voting in British elections. *Electoral Studies*, 25: 1-19.

October 30th Institutional heterogeneity within democracies: Presidentialism and Parliamentarism

Another key institutional variable that affects the way preferences are translated into policies refers to the structure of the executive power. In presidential democracies, the executive and legislative power are independent, and are selected in two different elections (although they may be contemporaneous). The electoral system of these two elections, moreover, need not coincide. In parliamentary democracies there is a fusion of powers. These institutional features influence the type of governments that are

formed, as well as the degree of status quo bias.

Background reading:

- Matthew S. Shugart and John M. Carey. 1992. *Presidents and Assemblies*. Cambridge University Press. Chapter 1.
- José Antonio Cheibub. 2007. *Presidentialism, Parliamentarism and Democracy*. Cambridge University Press. Chapter 2.

Required reading:

- George Tsebelis. 1995. Decision making in political systems. Veto Players in Presidentialism, Parliamentarism, Multicameralism and Multipartyism. *British Journal of Political Science*, 25: 289-325.
- José Antonio Cheibub. 2007. *Presidentialism, Parliamentarism and Democracy*. Cambridge University Press. Chapters 3 and 4.
- Michael Laver. 1998. Models of government formation. *Annual Review of Political Science*, 1: 1-25.
- Michael Laver and Norman Schofield. 1998. *Multiparty Government: The Politics of Coalition in Europe*. University of Michigan Press. Chapter 7.

November 6th Adapting to government institutions: strategic and split-ticket voting.

Voters, it is claimed, may also strategically use their vote to adapt to the type of executives that are formed in a country. For instance, it is argued that US voters may take into account the potentially divided nature of government in their electoral behavior. Moreover, it has been claimed that voters in parliamentary systems where clear majorities are unlikely may use their vote to influence the kind of coalitions that are formed afterwards.

Required reading:

- Alberto Alesina and Howard Rosenthal. 2000. Polarized platforms and moderate policies with checks and balances. *Journal of Public Economics*, 75(1): 1-20.
- Barry C. Burden and David C. Kimball. 1998. A New Approach to the Study of Ticket Splitting. *American Political Science Review*, 92(3): 533-544.
- Orit Kedar. 2005. When moderate voters prefer extreme parties: policy balancing in parliamentary elections. *American Political Science Review*, 99: 185-199.

3 Politicians' responsiveness to citizen preferences: democratic accountability

November 13th Do citizens preferences translate into policies?

Even if elections are indeed free and fair, a crucial question remains. Do representatives make good on the democratic principle? Do their actions in government reflect the preferences of the citizens? The key aspect that will be discussed in this week will therefore be whether the platforms that parties or candidates have run on in elections inform the policies that are subsequently implemented.

Required readings:

- Susan C. Stokes. 2001. *Mandates and Democracy: Neoliberalism by Surprise in Latin America*. Cambridge University Press. Chapters 1-3.
- Gregg B Johnson and Brian F. Crisp. 2003. Mandates, powers and policies. *American Journal of Political Science*, 47(1): 128-142.
- David J Samuels and Matthew S. Shugart. *Presidents, Parties and Prime Ministers: How the Separation of Powers Affects Party Organization and Behavior*. Cambridge University Press. chapter 8.

November 20th The relationship between citizens and politicians as a principal-agent problem.

We have reviewed empirical evidence showing that policy promises are not always implemented in office. The purpose of this week's readings is to discuss several principal-agent theoretical models that discuss under what conditions politicians will act in the interest of the citizenry.

Required readings:

- John Ferejohn. 1986. Incumbent performance and electoral control. *Public Choice*, 50(1): 5-25.
- James Fearon. 1999. Electoral accountability and the control of politicians: selecting good types versus sanctioning poor performance. In Przeworski et al, *Democracy, Accountability and Representation*. Cambridge University Press.
- John Ferejohn. 1999. Accountability and authority: toward a theory of political accountability. In Przeworski et al, *Democracy, Accountability and Representation*. Cambridge University Press.

November 27th Elections as instruments to disciple governments: corruption, economic outcomes and ideological consistency

This week reviews several empirical explorations of elections as reward and punishment mechanisms. Three different versions of accountability are considered. The first, by far the most prolific, links vote choice to economic outcomes. The second, refers to electoral punishment of corruption scandals. The third, in turn, studies whether voters may retaliate against parties that do not keep their policy promises.

Required Readings:

- Michael B. Mackuen et al. 1992. Peasants or bankers? the American electorate and the US economy?. *American Political Science Review*, 86(3): 597-611.
- G. Bingham Powell and Guy D. Whitten. 1993. A cross-national analysis of economic voting: taking account of the political context. *American Journal of Political Science*, 37(2): 391-414.

- Frederico Finan and Claudio Ferraz. 2008. Exposing corrupt politicians: the effect of Brazil's publicly released audits on electoral outcomes. *Quarterly Journal of Economics*, 123(2): 703-745.
- Ignacio Sánchez-Cuenca. 2008. How can governments be accountable if voters vote ideologically?. In Jose María Maravall and Ignacio Sánchez-Cuenca. *Controlling Governments: Voters, Institutions and Accountability*. Cambridge University Press.

December 4th Intra-party politics and democratic accountability

Politicians are not only accountable to citizens, but also to the party organizations they belong to. Being responsive to parties' interests may either be beneficial or inimical to voters' welfare. The readings of this week discuss several ways in which parties may constraint the behavior of public officials, both in presidential and parliamentary systems.

Required readings:

- Alberto Alesina and Stephen Spear. 1988. An overlapping generation model of electoral competition. *Journal of Public Economics*, 37: 359-379.
- José María Maravall. 2008. The political consequences of internal party democracy. In Jose María Maravall and Ignacio Sánchez-Cuenca. *Controlling Governments: Voters, Institutions and Accountability*. Cambridge University Press.
- Wolfgang C. Mueller. 2000. Political parties in parliamentary democracies: making delegation and accountability work. *European Journal of Political Research*, 37: 309-333.

December 11th Horizontal Accountability

This week examines how institutional checks and balances can hold incumbents accountable.

Required readings:

- Litschig, Stephan and Yves Zamboni. 2015. Judicial presence and rent extraction. Barcelona GSE Working Paper Series.
- Bobonis, Gustavo J, Luis Camara R. Fuertes and Rainer Schwabe. 2016. Monitoring Corruptible Politicians. *The American Economic Review* 106(8):23712405.

December 18th In-class presentations of paper projects for this course