

Thesis abstract

Essays in political economics

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This thesis consists of three self-contained essays in political economics. A key theme common to the essays is that policymaking is largely a private affair, conducted behind closed doors. Politicians take many public actions: they endorse policy, introduce legislation, cast votes, and give speeches. However, rarely do these public acts alone determine policy and, in some cases, these acts are completely inconsequential. Instead, policy is determined by many actors, via informal negotiations and institutions, and often beyond the gaze of voters: legislators engage in backdoor deals, exchange favours, spend their political capital, and control the legislative agenda. Disentangling consequential and inconsequential public acts is key to the measurement of many intensely debated issues ranging from polarization and gridlock, to concerns of accountability, and more broadly the efficiency of political institutions. Understanding the nature and consequences of this tension is the focus of this thesis.

In the first essay “Feigning Politicians,” I explore a model of politics where politicians publicly propose policies, and the adoption of a proposal is stochastic. Yet, politicians may privately exert *effort* toward their proposal's adoption: they can engage in backdoor deals, spend their political capital, or take particular care when drafting legislation. When the preferences of voters and politicians differ, politicians face limited

accountability. Voters may observe that a proposal failed to be adopted but will be uncertain as to why: did the politician exert too little effort, or did the proposal fail despite the politician's every effort? This generates a perverse incentive for politicians to *feign support for policies that voters demand* whereby they publicly propose policies that voters demand but then privately exert little or no effort toward progressing such policies. They do this in the expectation — and hope — that their proposal will fail and knowing that, if it does fail, they will not be held entirely accountable. This essay complements the existing literature on accountability by showing that — in addition to pandering — politicians may feign support for policies that voters demand. The main empirical implication of my model is that, under certain conditions (such as a trade shock), politicians with a history of being less effective legislators will have an electoral advantage: they will feign more often and will be re-elected with higher probability. I empirically test and find suggestive evidence that supports these predictions in U.S. House elections using data on localized trade shocks from China and a measure of House members' legislative effectiveness.

In the second essay “Gridlock, Leverage, and Policy Bundling,” I analyse a dynamic model of legislative bargaining where parties may engage in policy bundling and a forward-looking voter elects the agenda

setter. Policy bundling allows legislators to bundle diverse and unrelated proposals into a single bill and is specific to the U.S. Congress. The prevailing wisdom surrounding policy bundling is that it reduces gridlock by facilitating compromise between political parties. In this essay, I argue that this wisdom is incomplete. In a dynamic environment, policy bundling can generate a *leverage* incentive for parties to delay bipartisan policies and, as a result, can increase gridlock. The incentive to delay bipartisan policies arises because, if elected in the future, the delayed policy can be used as leverage in a policy bundle with a future policy that is divisive and otherwise would not pass. From the voter's perspective, I show that this leverage incentive creates inefficiently high levels of gridlock; however, if the voter did not lack commitment power, inefficient gridlock could be largely eradicated. My results have a number of empirical implications. First, I show that — because bipartisan policies may be gridlocked — roll call voting records may overstate the true (unobserved) level of polarization between parties. Second, this overstatement is more likely during periods of economic or political stability.

In the final co-authored essay “Political Capital,” we study an informal notion of power — called *political capital* — that appears in organizations and distinguishes leaders from rank-and-file organization

members. We develop a two-period model of organizational decision making where the leader of the organization has a stock of political capital that she can choose to spend to influence decisions. The leader's stock of political capital evolves dynamically and may increase or decrease depending on the leader's decision to spend her capital and if her decision to spend was correct ex-post. This presents the leader with an intertemporal choice problem: spending political capital today will improve today's decision (in expectation) but may result in less political capital — and hence less influence over organization decisions — in the future. We characterize the optimal use of political capital by the leader, the evolution of political capital over time, and identify different leadership styles that can emerge. We also explore the implications of our results for institutional design and organizational culture.

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