

Norman Schofield · Gonzalo Caballero · Daniel Kselman *Editors*

## Advances in Political Economy

Institutions, Modelling and Empirical Analysis

This book presents latest research in the field of Political Economy, dealing with the integration of economics and politics and the way institutions affect social decisions. The focus is on innovative topics such as an institutional analysis based on case studies; the influence of activists on political decisions; new techniques for analyzing elections, involving game theory and empirical methods.

Schofield · Caballero  
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# Introduction

Political Economy is both a growing field and a moving target. The concept ‘political economy’ remains something of an open signifier, alternatively used to describe a methodological approach in political analysis, grounded in the application of formal and quantitative methods to the study of politics; or one of any number substantive areas in the contemporary social sciences. In economics, new institutional economics (Williamson 1985, North 1990) has established the fundamental importance of history- and polity-specific governance structures in sustaining economic markets. Comparative research has investigated the effect of democratic institutions and processes on economic policy and outcomes, research given perhaps its most comprehensive statement in Persson and Tabellini (2000) and Drazen (2001), which have constituted the so-called “macroeconomics side” of political economy (Merlo 2006). Development economists increasingly recognize that, absent sound governance institutions, standard macroeconomic prescriptions for economic growth and stability often fail to bear fruit (Rodrik 2007). Economists have also recently joined political scientists in examining the role of economic factors in explaining democratic transitions and the evolution of political regimes (Acemoglu and Robinson 2000, 2006). Dewan and Shepsle (2008) have emphasized that in recent years some of the best theoretical work on the political economy of political institutions and processes has begun surfacing in the political science mainstream, and they consider that this is a result of economists coming more firmly to the conclusion that modeling governments and politicians is central to their own enterprise.

Moving to political science, work on the *modernization hypothesis*, motivated by the consistently high cross-national correlation between democratic consolidation and economic development, has also recognized the role of economic factors in determining the evolution of political regimes (Moore 1965; Przeworski et al. 2000). Furthermore, comparative political science in many ways beat economics to the punch in recognizing the role that political institutions play in determining the economic trajectories of developing and still industrializing economies (Haggard and Kaufmann 1990). Economic class structures, and their embodiment in labor unions and professional organizations, have occupied an important place in comparative politics research on the economic institutions of advanced industrial societies

(Hall and Soskice 2001). Studies of voter behavior have identified both the role that conjunctural economic factors play in informing voter choice and the relationship between voters' professional context and their preferences for redistribution. As already mentioned, the label political-economy also refers more loosely to the application of formal and game theoretic methods first developed by economists to the study of political phenomena, including legislative bargaining (Shepsle 1979; Krehbiel 1998), government coalition formation (Laver and Schofield 1990; Laver and Shepsle 1996), and campaign position-taking (Cox 1987, 1990; Schofield 2006). In this sense, the effect of economics has been felt more strongly in contemporary political science than any other social science (Miller 1997).

As evidenced by this brief, and necessarily incomplete, literature review, political economy is a concept with fairly flexible boundaries, encompassing research from a wide variety of fields and approaches. For example, Weingast and Wittman (2008) viewed political economy as the methodology of economics applied to the analysis of political behavior and institutions, but they assumed that it is not a single approach because it consists of a family of approaches. Previously, two views had been distinguished in the new political economy, and both have contributed to the advance of the understanding of modern political economy: on the one hand, Hamiltonian political economy has been interested in economic patterns and performance, but it considers that political institutions and political choices are relevant explaining factors; on the other hand, Madisonian political economy has assumed that the economic approach is central in political analysis, quite apart from economic content (Shepsle 1999). Rather than an explicit "field" or "discipline" in and of itself, the notion of political economy represents rather a growing awareness in both political science and economics that their respective contributions to our understanding of society are intelligible only in mutual conversation. It is one thing for scholars in both disciplines to recognize the interdependence of their subject matters; it is another to create professional fora in which practitioners of these two disciplines come together. The current volume results from the latest in a series of conferences designed to engender a closer collaboration between economists and political scientists. Its contributions represent a broad spectrum of research, and its contributors a diverse group of scholars from diverse academic traditions in political economy. Nonetheless, as a group we share a commitment to mutually beneficial interdisciplinary collaboration, such it has been shown in previous efforts (Schofield and Caballero 2011).

These conferences took place in April and May of 2012. The first was held at the Juan March Institute in Madrid, Spain, and was entitled *Contemporary Applications of the Spatial Model*. Ever since Downs' seminal work (1957), the spatial model has been a workhorse in formal political theory. While its core content addresses how parties choose the relative extremism or moderation of campaign positions, its results have also been used in studies of economic policy and redistribution (Meltzer and Richard 1978; Persson and Tabellini 2000). The Madrid conference brought together a group of leading scholars working on contemporary applications of the spatial paradigm, including theoretical contributions on spatial consequences of primary elections and the spatial consequences of vote buying; and empirical contributions on the measurement of parties actual policy positions, the extent to which

voters accurately perceive such positions, and how these perceptions are moulded by voters' ideological predispositions.

The second conference was held in Baiona, Spain, and supported by the Erenea Research Group at the University of Vigo, and the Center in Political Economy at Washington University in Saint Louis. This conference was in fact the second installment of the *International Conference on Political Economy and Institutions* (ICOPEAI); and like the first, which was held in June 2010, it brought together political scientists and economists from many countries. The spatial model featured prominently in Baiona as well; but to this agenda was added a variety of papers on political transitions, democratic performance and human capital formation, social networks, and new institutional economics, and voting.

There was substantial overlap in the participants at both conferences, allowing for a fruitful extended dialogue that, along with an internal peer-review process, has improved the content of the volume's contributions.

The editors thank the University of Vigo, the Juan March Institute, and the Center in Political Economy, Washington University in Saint Louis for the support they provided. In addition, an earlier version of Chap. 4 was presented at the conference on the Political Economy of Democratic Institutions, organised by Laurreta Frederking at the University of Portland, June 2009. We thank Laurreta and the University of Portland for organising this earlier conference.

We have decided to structure the volume in three sections, each dealing with a particular emphasis in political economic research: Institutions, Modelling, and Empirical Analysis.

Each chapter in this book went through a review process before publication. These chapters deal with theoretical and empirical issues over the behavior of institutions and the operation of democratic elections.

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Madrid, Spain

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## Further Reading on Political Economy

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