Main Topic: Understand why principal-agent problems exist in democracies, how democracies approach this problem, and how variation in climate/geography can affect economic development across countries.

1 **Key Terms**

- representative democracy
- principal-agent problem
- moral hazard and adverse selection
- collective competence
- economic model of voting
- incumbency advantage
- property rights
- deadweight loss
- natural resource trap

2 **Key Themes/Ideas**

Q. What is the principal-agent problem in political representation?
**Answer:** The principal-agent problem in political representation states that representatives can shirk by making policies that don’t serve the interests of citizens.

Q. What are three solutions to the principal-agent problem?
**Answer:** Three approaches to solving the principal-agent problem in class are for voters to (1) monitor policies, (2) monitor economic performance, and (3) to select like-minded types.

Q. Why do these solutions hold politicians accountable?
**Answer:** These solutions are designed so that voters can “punish” politicians if they deviate too far from what voters want.

Q. What is the Congressional incumbency paradox?
**Answer:** The Congressional incumbency paradox is that Congress is generally very unpopular, but Congressional incumbents have very high re-election rates.

Q. How do government interventions affect wealth development?
**Answer:** Government interventions hinder growth because they may prevent deals from happening which create deadweight loss or costs to society created by market inefficiencies. These inefficiencies impede economic growth.

Q. How does climate and geography explain variation in economic development?
**Answer:** Climate and geography affect where certain types of government institutions arise that can regulate these economic transactions. Areas in western Europe and North America were free of malaria and could produce storable crops so had incentives to trade with each other which created incentives for specialization and the web of contracts.

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3  **Key Readings**

- Clark, Golder, and Golder, “A Unifying Framework: Principal-Agent and Delegation Problems”
- Lupia, “Uninformed: Why People Know so Little about Politics”
- Lewis-Beck and Stegmaier, “Economic Models of Voting”
- Sachs, Mellinger, and Gallup, “Geography of Poverty and Wealth”
- Collier, “The Bottom Billion”

4  **Review Questions**

Check your understanding of this week’s material and key ideas with the following questions.

- Two of the readings this week imply that voters evaluate politicians ex ante (in expectation of who will be most accountable to their interests) while in lecture Professor Tomz argued that voters evaluate politicians ex post based on their prior policies or performance. Are these theories mutually exclusive? Why or why not?

- The Lupia reading argues that party identification provides one important “cue” for relatively uninformed voters about how to vote. Last week, we learned that polarization refers to cases in which a politician’s stance is almost completely defined by their party identification. Does polarization help solve problems about voter ignorance? Do voters make better decisions in today’s polarized environment than they did fifty years ago?

- Is the evidence in the Healy, Malhotra, and Mo reading about voter responses to irrelevant outcomes spurious or compelling? If the finding is correct, does it have any significant or substantive effects on representation and why?

- Political psychology is a subfield of political science that asks why factors like party identification or ideology can lead people to interpret the same information differently (also known as motivated reasoning). Given what we saw in the in-class survey about how different students evaluate the state of the economy, does this represent a fatal flaw to the economic model of voting?

- Does Collier’s theory of resource traps conflict or complement the earlier piece by Ross on oil and political development?

- Climate and geographic disadvantages to economic development are often constructed in the context of agrarian societies. What is the effect of the industrial revolution and other new technologies on development?