

RESEARCH STATEMENT

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This document summarizes the research I have done during my Ph.D. study and outlines my future research agenda. My research interest is in applied microeconomics, specifically the fields of public economics and political economy. My dissertation focuses on applying and generalizing econometric methods to analyze political phenomenon to find associations between economic behavior and political institutions. However, my pursuits are not limited only to public economics and political economy, but extend to experimental economics and game theory. In addition to my dissertation, my two co-authored papers address my varying activities.

Current Works

My dissertation is titled “Essays on Political Business Cycles.” The first chapter of my dissertation discusses both the advantages and disadvantages of incumbency, as well as candidates’ campaign strategies during an election. By constructing a simple unified probabilistic voting model, this chapter suggests that two office-motivated candidates will choose the policy position equal to the median voters’ ideal point. In addition, the returns from campaigning will diminish over the length of a candidate’s career. This chapter also investigates the effects of economic shocks on incumbency advantages in both developed and developing countries. The results show that incumbency intensifies the effect of negative economic shocks on an incumbent’s share of votes. Yet, in developed countries, voters usually enjoy higher living standards, thus incumbency dampens the effect of negative economic shocks and dominates the electoral results.

The second chapter examines politicians’ fiscal manipulations of public spending compositions before an election and compares such election effects across U.S. states that have different fiscal rules. Using data of American states from 1977 to 2008, the analysis finds that, prior to elections, speculative politicians have incentive to shift public spending toward more salient spending categories, such as corrections, security, and welfare expenditures, and away from less salient ones, such as education, in order to maximize their chances of being reelected. Yet, such effects are dampened as carry-over restrictions become more stringent, implying that balanced budget requirements constrain a politician’s ability to shift spending across different categories. This chapter will be published by *Public Finance Review* in a forthcoming issue.

In a related work, my job market paper, the third chapter of my dissertation, is a case study on China that discusses politicians’ fiscal incentives for budget allocations in the absence of democratic elections. It is devoted to discovering the pattern of political budget cycles in contemporary China. I develop a theoretical model of budget allocations to demonstrate that a politician has an incentive to treat current expenditures and capital expenditures differently with the goal of being promoted. The data from Chinese provinces from the years 1980 to 2006 are used to verify the theoretical results. The analysis finds that two years prior to the National Congress of the Communist Party (NCCP), politicians are likely to shift public spending toward capital expenditures and away from current expenditures. The opposite pattern occurs during the year of the NCCP, when politicians increase current expenditures and decrease capital expenditures. The increased capital expenditures two years prior to the NCCP are accompanied by an increase in taxation and total aggregate spending. Independent of the timing of the NCCP, this paper also examines the effects of a provincial leader’s tenure on political budget cycles, but

such effects are found to be minimal, thus implying a weak causal relationship between political turnover and a provincial leader's time in office.

In addition to my dissertation, I have co-authored two articles, which will soon be sent out for publication consideration. "The Politics of Ambition: Intra-Party Advancement and Party Unity," written with Weiwei Hu, studies the association of career advancement of rank-and-file party members and the cohesion of party unity. In political parties where leadership has powerful tools at its disposal, some members of the party may hide their disagreements of the party line in the interest of their own career advancement. Ironically, we see that those who successfully dissemble and advance to positions of intraparty influence, in spite of the fact that they disagree with aspects of the party line, may have little reason not to move the party's political stance closer to their own ideal points when they exercise their newly found influence. By building a game-theoretical model, this paper demonstrates that the more realistic the rank-and-file party members' expectations of career advancement are, the larger the benefits they receive by holding influential decision-making positions. Coinciding with this, the lower internal and external costs associated with strategic loyalty and behavioral consistency, the more likely it is that rank-and-file members will evince strong loyalty. This combination of factors creates a situation where party leaders promote individuals who will then likely seek to change party policy positions.

In a second co-authored paper, written in conjunction with Michael McBride and Stergios Skaperdas, entitled "Why Go to Court? Bargaining Failure under the Shadow of Trial with Complete Information," aims to answer the question of why legal disputes go to trial. In addition to the role of mistakes, irrationalities, or asymmetric information emphasized in the previous literature, this paper uses a dynamic incomplete-contracting framework, demonstrating that even when it is risky and costly, going to court can be both rational and socially efficient when a court decision enhances property rights and deters costly future litigation. We conducted a lab experiment to verify the robustness of the results, which are also presented in this paper.

Future Research

Future work will build on the research I have conducted above as well as new areas of interest. First, I expect to continue my investigations on topics regarding the political economy and public economics in China. For example, in my job market paper, I have shown that a provincial leader has very real incentive to manipulate his region's budget for personal political gain. This finding has a serious implication for the association between budget allocation and one's political future. Therefore, one clear future project will be to examine the correlation between provincial leaders' fiscal manipulations and their likelihoods for promotion. Moreover, since political budget cycles in China have been shown to be synchronized with the timing of the NCCP, another project that I foresee will be to discover other potential political business cycles by studying the association between the NCCP and additional economic variables, in addition to budget resources, such as GDP, foreign direct investment, urban and rural disposable income, and so on. Aside from economic performance, many extra-institutional factors, such as personal connections and political networks, are usually considered as important factors in determining political turnover in China. Thus, in the near future I will be examining provincial leaders vis-à-vis their behavior, specifically whether they act differently in their budget allocations when they are better connected to the central government or belong to different party factions.

My overall research aims to analyze real-world phenomenon and gauge individual economic behaviors, not only by empirical data analysis but also by utilizing novel economic approaches. Thus, going beyond the topics explored in my dissertation, I look to continue my research using the methods of experimental economics. For example, I have several projects in mind to study issues related to the efficiency of budget allocation and public goods contribution,

as well as continued research on contest theory. Experimental economics helps us to understand the factors that may influence people's decision making when it comes to economic activities. I foresee that using this approach will push my research even further, allowing me the opportunity to investigate important questions. I do this not only for my personal interest but also to continue to make a difference in the field of economics, to perceive and understand human behavior through the scope of this discipline.