

Political Economy: Syllabus

Fall 2016

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Office hours: Thursday 2-4 PM

Course description

This course is intended to introduce research frontiers in political economics (and some political science) and help students who are interested in working on political economy orient a research question. The course requires intense inputs in reading, replicating, presenting papers, and working on an original project assigned by the instructor. For students to take this course *for credit* backgrounds in graduate-level microeconomics, macroeconomics, and econometrics are assumed (equivalence to the first year course sequence at NSD). Experiences and interests in quantitative methods (familiarity with R, Network analysis, and GIS-based programs), or game theory, or some history are encouraged.

Course requirement and evaluation

Students are required to attend each class and participate in discussion. The final grade depends on the presentation of assigned papers and the final project.

Presentation (50%): Students should replicate and present one paper in class. The papers for presentation are listed in the course schedule and marked by asterisk.

Project (50%): During the semester, each student should submit a research project assigned by the instructor at the beginning of the semester (week 2). The project does not require a full-fledged paper. Instead, the project may involve some data analysis, or survey of literature, or modelling that is complementary to the topics being covered.

Course Schedule

Note that class is not schedule for September 15, which is a national holiday.

Week 1. (September 22) Introduction

What is a state? What do we mean by institutions? What do we mean by saying that economic outcomes are shaped by political constraints or politics? Do individuals behave the same or differently in economic models and political models? What are the fundamental questions in studying political economy? What does the experience of China mean to the world?

Read

Greif, Avner, Milgrom, Paul, and Barry Weingast. 1994. "Coordination, Commitment, and Enforcement: The Case of the Merchant Guild." *Journal of Political Economy*. 102(4): 745-776.

Lamoreaux, Naomi. 2006. "Did Insecure Property Rights Slow Economic Development? Some Lessons from Economic History." *Journal of Policy History*. 18(1): 146-164.

Przeworski, Adam. 2004. "Institutions Matter?" *Government and Opposition*. 39(2): 527-540.

Madison, James. 1787. "The Utility of the Union as a Safeguard Against Domestic Faction and Insurrection (continued)." *Federalist papers*. #10.

Week 2. (September 29) Accountability

How can we argue that representative government is a system "of the people"? How much confidence do we have in saying that democracy is "for the people" while simultaneously maintaining that politicians are self-interested (just as we do)? How do we know that a government is accountable to, and supported by the people? How does office-holding motives affect citizens' welfare?

Study

Fearon, James. 2012. "Self-enforcing democracy." *The Quarterly Journal of Economics*. 126(4): 1661-1708.

Maskin, Eric, and Jean Tirole. 2004. "The Politician and the Judge: Accountability in Government." *The American Economic Review*. 94(4): 1034-1054.

Read

Barro, Robert. 1973. "The Control of Politicians: An Economic Model." *Public Choice*. 14: 19-42.

Kayser, Mark Andreas, and Michael Peress. 2012. "Benchmarking across Borders: Electoral Accountability and the Necessity of Comparison." *American Political Science Review*. 106(3): 661-684.

Besley, Timothy, and Anne Case. 1995. "Incumbent Behavior: Vote-Seeking, Tax-Setting, and Yardstick Competition." *The American Economic Review*. 85(1): 25-45.

Alt, James, Bueno de Mesquita, Ethan, and Shanna Rose. 2011. "Disentangling Accountability and Competence in Elections: Evidence from U.S. Term Limits." *The Journal of Politics*. 73(01): 171-186.

Gagliarducci, Stehano and Tommaso Nannicini. 2013. "Do Better Paid Politicians Perform Better? Disentangling Incentives from Selection." *Journal of the European Economic Association*. 11(2): 369-398.

Dal Bo, Ernesto, and Martin Rossi. 2011. "Term Length and the Effort of Politicians." *Review of Economic Studies*. 78: 1237-63.

Xi, Tianyang, Yang, Yao, and Muyang, Zhang. 2016. "Capability and the Political Business Cycle: Evidence from City Officials in China ." Working paper.

Week 3. (October 13) Representation

How do politicians represent people? Why quotas affect the welfare of women and minority groups? Why ethnicity, religion, and gender are important considerations of voters in partisan identification? When do they vote cross these lines?

Study

Fujiwara, Thomas. 2015. "Voting Technology, Political Responsiveness, and Infant Health: Evidence from Brazil." *Econometrica*. 83(2): 423-464.

Dunning, Thad, and Janhavi Nilekani. 2013. "Ethnic Quotas and Political Mobilization: Caste, Parties, and Distribution in Indian Village Councils." *American Political Science Review*. 107(1): 35-56.

Read

Miller, Grant. 2008. "Women's Suffrage, Political Responsiveness, and Child Survival in American History." *The Quarterly Journal of Economics*. 123(3): 1287-1327.

McDonagh, Eileen Lorenzi. 1992. "Representative Democracy and State Building in the Progressive Era." *American Political Science Review*. 86(4): 938-950.

Chattopadhyay, Raghabendra, and Esther Duflo. 2004. "Women as Policy Makers: Evidence from a Randomized Policy Experiment in India." *Econometrica*. 72(5): 1409-1443.

Iyer, Lakshmi, Mani, Anandi, Mishra, Prachi, and Petia Topalova. 2012. "The Power of Political Voice: Women's Political Representation and Crime in India." *American Economic Journal: Applied Economics*. 4(4): 165-193.

Week 4. (October 20) Historical development of representative institutions

Can a political system be both representative and exclusive? Why did representative

institutions first emerge in Europe? How is political representation facilitated where formal representative institutions (assemblies) did not exist? When do politicians support reforms that might dilute their political power?

Study

Aidt, Toke, and Raphaël Franck, 2015. "Democratization Under the Threat of Revolution: Evidence from the Great Reform Act of 1832." *Econometrica*. 83(2): 505-547.

Jha, Saumitra. 2015. "Financial Asset Holdings and Political Attitudes: Evidence from Revolutionary England." *The Quarterly Journal of Economics*. 1485-1545.

Read

North, Douglass, and Barry Weingast. 1989. "Constitutions and Commitment: The Evolution of Institutional Governing Public Choice in Seventeenth-Century England ." *The Journal of Economic History*. 49(4): 803-832.

Stasavage, David. 2016. "Representation and Consent: Why They Arose in Europe and Not Elsewhere." *The Annual Review of Political Science*. 19: 145-162.

Przeworski, Adam. 2009. "Conquered or Granted? A History of Suffrage Extensions." *British Journal of Political Science*. 39(2): 291-321.

Acemoglu, Daron. 2008. "Oligarchic versus Democratic Societies." *Journal of the European Economic Association*. 6(1): 1-44.

Sieyes, Abbe. 1789. "What is the third estate?"

Week 5. (October 27) Political order and regimes

What do we mean by that a political regime has legitimacy? How do we tell (can we tell?) that a regime has lost its legitimacy? Under what mechanisms is political order established? How is political knowledge formed in society? Do institutions matter in non-democratic institutions? What kind of political risks for democracies and non-democracies?

Study

Acemoglu, Daron, Robinson, James, and Ragnar Torvik. 2013. "Why Do Voters Dismantle Checks and Balances?" *The Review of Economic Studies*. 80(3): 845-875.

Francois, Patrick, Rainer, Ilia, and Francesco, Trebbi. 2015. "How is Power Shared in Africa?" *Econometrica*. 83(2): 465-503.

Read

Huntington, Samuel. 1968. "Political Order and Political Decay." in *Political Order in*

Changing Societies. Yale University Press.

Przeworski, Adam. 2014. "Acquiring the Habit of Changing Governments Through Elections." *Comparative Political Studies*. 48(1): 101-129.

Svolik, Milan. 2013. "Learning to Love Democracy: Electoral Accountability and the Success of Democracy." *American Journal of Political Science*. 57(3): 685-702.

Jensen, Nathan, Malesky, Edmund, and Stephen Weymouth. 2014. "Unbundling the Relationship between Authoritarian Legislatures and Political Risk." *British Journal of Political Science*. 44(3): 655–684.

Wright, Joseph, Frantz, Erica, and Barbara Geddes. 2013. "Oil and Autocratic Regime Survival." *British Journal of Political Science*. 45(2): 1-20.

Drazen, Allan, and Marcela Eslava. 2010. "Electoral manipulation via voter-friendly spending: Theory and evidence." *Journal of Development Economics*. 92: 39-52.

Week 6. (November 3) Meritocracy

What is a correct model for meritocracy? What is the rationale for selecting the best types of talents? What are the tangible measures of merits? How is merit/competence formed? What is the relationship between merit and other things, such as education, power, and network?

Study

Mattozzi, Andrea, and Antonio Merlo. 2015. "Mediocracy." *Journal of Public Economics*. 130: 32-44.

* Cruz, Cesi, Labonne, Julien, and Pablo Querubin. 2015. "Politician Family Networks and Electoral Outcomes: Evidence from the Philippines." Working paper.

Read

Daniel Bell. 2012. "Political Meritocracy." *Huffington Post*.

Li, Jingheng, Xi, Tianyang, and Yang Yao. 2016. "Leaders' Education and Economic Liberalization." Working paper.

Holthausen, Duncan, and Theofanis Tsoulouhas. 2008. "The Good, the Bad and the Ugly: Agent Behavior and Efficiency in Open and Closed Organizations." *Economic Theory*. 35(1): 73-97.

Munshi, Kaivan, and Mark Rosenzweig. 2008. "The Efficacy of Parochial Politics: Caste, Commitment, and Competence in Indian Local Government." NBER working paper.

Jia, Ruixue, Kudamatsu, Masayuki, and David Seim. 2014. "Political Selection in China: the Complementary Roles of Connections." *Journal of the European Economic Association*. 13(4): 631-668.

Ahern, Kenneth, and Amy Dittmar. 2012. "The Changing of the Boards: The Impact on Firm

Valuation of Mandated Female Board Representation." *The Quarterly Journal of Economics*. 127(1): 137-197.

Besley, Timothy, Folke, Olle, Persson, Torsten, and Johanna Rickne. 2013. "Gender Quotas and the Crisis of the Mediocre Man: Theory and Evidence from Sweden." Working paper.

Week 7. (November 10) Decentralization and local governments

Do local and the central governments have the same, or different, incentives? To what extent is the political system of China decentralized? What is the relationship between decentralization and regional competition? To make a country stable and strong, should the political power be decentralized or centralized? What is the model to evaluate the costs and benefits of decentralization?

Study

Xu, Chenggang. 2011. "The Fundamental Institutions of China's Reforms and Development." *Journal of Economic Literature*. 49(4): 1076-1151.

Callander, Steven, and Bard Harstad. 2015. "Experimentation in Federal Systems." *The Quarterly Journal of Economics*. 130(2): 951-1002.

Read

Oi, Jean. 1992. "Fiscal Reform and the Economic Foundations of Local State Corporatism in China." *World Politics*. 45(1): 99-126.

Cai, Hongbin and Daniel Treisman, 2006. "Did government decentralization cause China's economic Miracle?" *World Politics*. 58(4): 505-535.

De Figueiredo, Rui J. P., and Barry Weingast. 2005. "Self-Enforcing Federalism." *Journal of Law, Economics and Organization*. 21(1): 103-135.

Myerson, Roger. 2006. "Federalism and Incentives for Success of Democracy." *Quarterly Journal of Political Science*. 1: 3-23.

Week 8. (November 17) Bureaucracy

What are the incentives of bureaucrats? What does bureaucracy do? Should the government delegate difficult jobs to technocrats and experts? How do career backgrounds affect policy preferences of bureaucrats? What are the mechanisms for controlling bureaucrats?

Study

Novaes, Walter, and Luigi Zingales. 2004. "Bureaucracy as a Mechanism to Generate

Information." *The Rand Journal of Economics*. 35(2): 245-259.

Prendergast, Canice. 2007. "The Motivation and Bias of Bureaucrats." *The American Economic Review*. 97(1): 180-196.

Read

Wilson, James. 1989. *Bureaucracy: What Government Agencies Do And Why They Do It*. Chapter 10-12. Basic Books.

Weingast, Barry, and Mark J. Moran. 1983. "Bureaucratic Discretion or Congressional Control? Regulatory Policymaking by the Federal Trade Commission." *Journal of Political Economy*. 91(5): 765-800.

Aghion, Philippe, and Jean Tirole. 1997. "Formal and Real Authority in Organizations." *Journal of Political Economy*. 105(1): 1-29.

Gohlmann, Silja, and Roland Vaubel. 2007. "The educational and occupational background of central bankers and its effect on inflation: An empirical analysis." *European Economic Review*. 51: 925-941.

Iyer, Lakshmi, and Anandi Mani. 2012. "Traveling Agents: Political Change and Bureaucratic Turnover in India." *The Review of Economics and Statistics*. 94(3): 723-739.

Week 9. (November 24) Corruption and misgovernance

What do we mean by corruption? Is corruption inevitable? Should corruption be addressed by legal means (such as auditing, prosecutions) or political means (electoral accountability)? Do institutions matter for curbing corruption? What institutions?

Study

* Finan, Frederico, and Claudio Ferraz. 2011. "Electoral Accountability and Corruption in Local Governments: Evidence from Audit Reports." *The American Economic Review*. 101(4): 1274-1311.

La Porta, Rafael, and Andrei Shleifer. 2008. "The Unofficial Economy and Economic Development." *Brookings Papers on Economic Activity*. 47(1): 123-35.

Read

Shleifer, Andrei, and Robert Vishny. 1993. "Corruption." *The Quarterly Journal of Economics*. 108(3): 599-617.

Banerjee, Abhijit V. 1997. "A Theory of Misgovernance." *The Quarterly Journal of Economics*. 112(4): 1289-1332.

Golden, Miriam, and Eric Chang. 2001. "Competitive Corruption: Factional Conflict and Political Malfeasance in Postwar Italian Christian Democracy." *World Politics*. 53(4):

588-622.

Kunicova, Jana, and Susan Rose-Ackerman. 2005. "Electoral Rules and Constitutional Structures as Constraints on Corruption." *British Journal of Political Science*. 35(4): 573-606.

Fisman, Raymond, and Roberta Gatti. 2002. "Decentralization and corruption: evidence across countries." *Journal of Public Economics*. 83(3): 325-345.

Fortunato, Piergiuseppe, and Ugo Panizza. 2015. "Democracy, education and the quality of government." *Journal of Economic Growth*. 20: 333-363.

Week 10. (December 1) Geography and space

What are the mechanisms of spatial spillovers and interactions? How can we disentangle institutional factors and geographic factors? What does space mean in politics?

Study

Caselli, Francesco, Morelli, Massimo, and Dominic Rohner. 2015. "The Geography of Interstate Resource Wars." *The Quarterly Journal of Economics*. 130(1): 267-315.

* Acemoglu, Daron, Garcia-Jimeno, Camilo, and James Robinson. 2015. "State Capacity and Economic Development: A Network Approach." *The American Economic Review*. 105(8): 2364-2409.

Read

Burgess, Robin, Jedwab, Remi, Miguel, Edward, Morjaria, Ameet, and Gerard Padró i Miquel. 2015. "The Value of Democracy: Evidence from Road Building in Kenya." *The American Economic Review*. 105(6): 1817-1851.

Yu, Jihai, Zhou, Li-An, and Guozhong Zhu. 2016. "Strategic interaction in political competition: Evidence from spatial effects across Chinese cities." *Regional Science and Urban Economics*. 57: 23-37.

Lyytikäinen, Teemu. 2012. "Tax competition among local governments: Evidence from a property tax reform in Finland." *Journal of Public Economics*. 96(7-8): 584-595.

Bohmelt, Tobias, Ezrow, Lawrence, Lehrer, Roni, and Hugh Ward. 2016. "Party Policy Diffusion." *American Political Science Review*. Forthcoming.

Shi, Xiangyu, and Tianyang Xi. 2016. "Neighborhood Effects in Bureaucracy: the Case of Coal Mine Safety in China." Working paper.

Week 11. (December 8) Culture and institutions

How to define culture (environments, players, equilibrium)? Does culture persist? How do we know that something matters is really culture, but are not other things that are superficially

correlated with culture? What is the role of network in maintaining and changing cultures?

Study

Fernandez, Raquel. 2013. "Cultural Change as Learning: The Evolution of Female Labor Force Participation over a Century." *The American Economic Review*. 103(1): 472-500.

* Alesina, Alberto, Algan, Yann, Cahuc, Pierre, and Paola Giuliano. 2015. "Family Values and the Regulation of Labor." *Journal of the European Economic Association*. 13(4): 599-630.

Read

Norris, Pippa, and Ronald Inglehart. 2012. "Muslim Integration into Western Cultures: Between Origins and Destinations." *Political Studies*. 60(2): 228-251.

Bertrand, Marianne, Luttmer, Erzo, and Sendhil Mullainathan. 2000. "Network Effects and Welfare Cultures." *The Quarterly Journal of Economics*. 1019-1055.

Alesina, Alberto, and Paola Giuliano. 2015. "Culture and Institutions." *Journal of Economic Literature*. 53(4): 898-944.

Sapienza, Paola, Toldra-Simats, Anna, and Luigi Zingales. 2013. "Understanding Trust." *The Economic Journal*. 123(573). 1212-1332.

Week 12. (December 15) Distribution and social mobility

How do beliefs in mobility interact with preference for redistributive policy? Do high mobility rates generate preference for low redistribution? How does globalization affect income distribution within a country? What are the political impacts of trade liberalization? How to explain that? Are voters rational? Are populism and polarization inevitable in our era?

Study

Benabou, Roland, and Jean Tirole. 2006. "Belief in a Just World and Redistributive Politics." *The Quarterly Journal of Economics*. 121(2): 699-746.

* Chetty, Raj, Hendren, Nathaniel, Kline, Patrick, and Emmanuel Saez. 2014. "Where is the Land of Opportunity? The Geography of Intergenerational Mobility in the United States." *The Quarterly Journal of Economics*. 129(4): 1553-1623.

Read

Elsby, Michael, Hobijn, Bart, and Sahin, Aysegul. 2013. "The Decline of the U.S. Labor Share." *Brookings Papers on Economic Activity*.

Che, Yi, Lu, Yi, Pierce, Justin, Schott, Peter, and Zhigang Tao. 2016. "Does Trade Liberalization with China Influence U.S. Elections?" NBER working paper.

Autor, David, Dorn, David, Hanson Gordon, and Kaveh Majlesi. 2016. "Importing Political Polarization? The Electoral Consequences of Rising Trade Exposure." NBER working paper.

Week 13. (December 22) presentations, wrap-ups