

**ECPS W4921: SEMINAR IN POLITICAL ECONOMY
POLITICAL ECONOMY OF INSTITUTIONS AND DEVELOPMENT**

**Wednesday 11:00a-12:50p
International Affairs Building 1027**

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Office Hours: Tuesday 1:30-3:30p

Course Overview: The purpose of this course is to give students the chance to write an original research paper in political economy. This final paper and active participation to classes are the only requirements. The course will be divided in three parts. During the first part, January 21st to February 18th, I will be lecturing. During the second part, February 25th to March 11th, students will present their research projects to the class. During the third part, March 25th to April 29th, students will present to the class readings related to their research project that I will have assigned, following their first presentation. Students should choose the topic and date of their presentations as soon as possible. They are responsible for selecting their research project and for assigning one reading to the class as background for their presentation. I encourage students to consult with me as frequently and as early as possible. The dates stated above are tentative, based on enrolment of 14 students.

Course Requirements: Students are expected to attend class. Cell phones, laptops, and other electronic devices must be turned off and put away during class. The main component of your grade (70%) will be a final paper (~15 pages), which is due on May 6th. Students are encouraged to collaborate on the research project. The remainder of your grade will be determined by class participation (10%) and by class presentations (20%). When presenting your initial research project make sure to spell out the question, identify why it is important, and describe how you plan to answer the question (theoretically or empirically). The day you present your project, you should hand a ~2 page paper proposal.

TOPICS FOR PART I

(* indicates a reading discussed in class)

1. Introduction and Motivation (Jan 21st)

2. The Effects of Democratic Institutions on Fiscal Policies (Jan 28th)

* Persson, Torsten, Gerald Roland, and Guido Tabellini, 2007, "Electoral Rules and Government Spending in Parliamentary Democracies," *Quarterly Journal of Political Science*, 2(2): 155-88. Replication Data: <http://didattica.unibocconi.it/mypage/index.php?IdUte=48805&idr=4272>

* Persson, Torsten, and Guido Tabellini, 1999, "The Size and Scope of Government: Comparative Politics with Rational Politicians," *European Economic Review*, 43: 699-735. Replication Data: <http://goo.gl/UIJau0>

* Piketty, Thomas, and Emmanuel Saez, 2003, "Income Inequality in the United States, 1913-1998," *Quarterly Journal of Economics*, 118:1-39. Replication Data (extended until 2012): <http://eml.berkeley.edu/~saez/TabFig2012prel.xls>

Bonica, Adam, Nolan McCarty, Keith T. Poole, and Howard Rosenthal, 2013, "Why Hasn't Democracy Slowed Rising Inequality?" *Journal of Economic Perspectives*, 27(3): 103-124.

Bordignon, Massimo, Tommaso Nannicini, and Guido Tabellini, 2013, "Moderating Political Extremism: Single Round vs. Runoff Elections under Plurality Rule," Unpublished Manuscript, <http://www.tommasonannicini.eu/media/works/files/dp7561.pdf>.

Folke, Olle, 2012, "Shades of Brown and Green: Party Effects in Proportional Election Systems," Unpublished Manuscript, <http://goo.gl/xQmIUR>

Folke, Olle, Shigeo Hirano, and James M. Snyder, 2011, "Patronage and Elections in U.S. States." *American Political Science Review*, 105(3): 567-585

Folke, Olle, Torsten Persson, and Johanna Rickne, 2013, "Preferential Voting and the Selection of Party Leaders: Evidence from Sweden," Unpublished Manuscript, <http://goo.gl/wqp62S>

Galasso, Vincenzo, and Salvatore Nunnari, 2014, "Electoral Incentives and Economic Policy across Political Regimes," Unpublished Manuscript, <http://goo.gl/z6Gt0x>

Hirano, Shigeo, James Snyder, and Michael Ting, 2009, "Distributive Politics with Primaries," *The Journal of Politics*, 71(4): 1467-1480.

La Porta, Rafael, Florencio Lopez-de-Silanes, Andrei Shleifer, Robert W. Vishny, 1998, "Law and Finance," *Journal of Political Economy*, 106:1113-1155

Lizzeri, Alessandro and Nicola Persico, 2001, "The Provision of Public Goods under Alternative Electoral Incentives," *American Economic Review*, 91:225-245

Lizzeri, Alessandro and Nicola Persico, 2005, "A Drawback of Electoral Competition," *Journal of the European Economic Association*, 3(4): 1318-1348

Lizzeri, Alessandro and Nicola Persico, 2008, "Electoral Incentives, Political Risk-Taking and Policy Reform," in *The Political Economy of Democracy*, Enriqueta Aragonés, Carmen Bevia, Humberto Llavador, Norman Schofield, Eds, Fundación BBVA, <http://goo.gl/85jwVp>

Milesi-Ferretti Gian Maria., Roberto Perotti, and Massimo Rostagno, 2002, "Electoral Systems and the Composition of Public Spending," *Quarterly Journal of Economics*, 117: 609-657

Persson, Torsten, and Guido Tabellini, 2005, *The Economic Effects of Constitutions*, MIT Press. Replication Data: <http://goo.gl/g3Sh0l>

Udry, Christopher and Goldstein, Markus, 2008, "The Profits of Power: Land Rights and Agricultural Investment in Ghana," *Journal of Political Economy*, 116(6): 981-1022.

3. The Effect of Institutions on Growth and Development (Feb 4th)

* Acemoglu, Daron, Simon Johnson, and James A. Robinson, 2001, "The Colonial Origins of Comparative Development: An Empirical Investigation," *American Economic Review*, 91:1369-1401. Replication Data: <http://economics.mit.edu/faculty/acemoglu/data/ajr2001>

* Acemoglu, Daron, Simon Johnson, and James A. Robinson, 2002, "Reversal of Fortune: Geography and Institutions in the Making of the Modern World Income Distribution," *Quarterly Journal of Economics*, 107:1231-1294. Replication Data: <http://economics.mit.edu/faculty/acemoglu/data/ajr2002>

* Acemoglu, Daron, Simon Johnson, and James A. Robinson, 2005, "The Rise of Europe: Atlantic Trade, Institutional Change, and Economic Growth," *American Economic Review*, 95(3): 546-579. Replication Data: <http://economics.mit.edu/faculty/acemoglu/data/ajr2005>

Besley, Tim, and Torsten Persson, 2011, *Pillars of Prosperity: The Political Economics of Development Clusters*, Princeton University Press. Replication Data: <http://goo.gl/E46TEV>

Brollo, Fernanda, Tommaso Nannicini and Guido Tabellini, 2013, "The Political Resource Curse," *American Economic Review*, 103: 1759-1796. Replication Data: <http://goo.gl/gEIV4g>

Dell, Melissa, 2010, "The Persistent Effects of Peru's Mining Mita," *Econometrica*, 78(6): 1863-1903. Replication Data: <http://scholar.harvard.edu/dell/publications>

Glaeser, Edward L., Rafael La Porta, Florencio Lopez-de-Silanes, and Andrei Shleifer, 2004, "Do Institutions Cause Growth?" *Journal of Economic Growth*, 9(3): 271-303.

Jones, Benjamin F. and Benjamin A. Olken, 2005, "Do Leaders Matter? National Leadership and Growth Since World War II," *Quarterly Journal of Economics*, 120: 835-864

4. The Effect of Institutions on Corruption (Feb 11th)

* Ades, Alberto, and Rafael Di Tella, 1999, "Rents, Competition, and Corruption," *American Economic Review* 89(4): 982-993.

* Bandiera, Oriana, Andrea Prat, and Tommaso Valletti, 2009, "Active and Passive Waste in Government Spending: Evidence from a Policy Experiment," *American Economic Review*, 99(4): 1278-1308. Replication Data: <http://goo.gl/ZafY8h>

* Persson, Torsten, Guido Tabellini, and Francesco Trebbi, 2003, "Electoral Rules and Corruption," *Journal of the European Economic Association*, 1(4): 958-89. Replication Data: <http://goo.gl/rlOSRo>

* Treisman, Daniel, 2000, "The Causes of Corruption: a Cross-National Study," *Journal of Public Economics*, 76(3): 399-457.

Bertrand, Marianne, Djankov, Simeon, Hanna, Rema and Mullainathan, Sendhil, 2007, "Obtaining a Driver's License in India: An Experimental Approach to Studying Corruption," *Quarterly Journal of Economics*, 122(4): 1639-1676.

Fisman, Ray, 2001, "Estimating the Value of Political Connections," *American Economic Review*, 91(4): 1095-1102.

Ferraz, Claudio and Frederico Finan, 2008, "Exposing Corrupt Politicians: The Effects of Brazil's Publicly Released Audits and Electoral Outcomes," *Quarterly Journal of Economics*, 123(2): 703-745.

Folke, Olle, Shigeo Hirano, and James M. Snyder, Jr., 2011, "Patronage and Elections in U.S. States," *American Political Science Review*, 105(3): 567-585

Khwaja, Asim, and Atif Mian, 2005, "Do Lenders Favor Politically Connected Firms? Rent Provision in an Emerging Financial Market," *Quarterly Journal of Economics*, 120(4): 1371-1411.

5. The Effect of Culture on Economic Outcomes (Feb 18th)

* Cipriani, Marco, Paola Giuliano, and Olivier Jeanne, 2013, "Like Mother Like Son? Experimental Evidence on the Transmission of Values from Parents to Children," *Journal of Economic Behavior and Organization*, 90: 100-111.

* Dohmen, Thomas, Armin Falk, David Huffman, and Uwe Sunde, 2012, "The Intergenerational Transmission of Risk and Trust Attitudes," *Review of Economic Studies*, 79(2): 645-677.

* Guiso, Luigi, Paola Sapienza and Luigi Zingales, 2008, “Long Term Persistence,” *NBER Working Paper No. 14278*, <http://www.nber.org/papers/w14278.pdf>.

* Tabellini, Guido, 2008, “The Scope of Cooperation: Values and Incentives,” *Quarterly Journal of Economics*, 123 (3): 905-950.

* Tabellini, Guido, 2010, “Culture and Institutions: Economic Development in the Regions of Europe,” *Journal of the European Economic Association*, 8: 677-716. Replication Data: <http://didattica.unibocconi.it/mypage/index.php?IdUte=48805&idr=13301&lingua=ita>

Acemoglu, Daron and Matthew Jackson, 2014, “History, Expectations, and Leadership in the Evolution of Social Norms,” Unpublished Manuscript, <http://economics.mit.edu/files/9918>

Akerlof, George A., and Rachel E. Kranton, 2000, “Economics and Identity,” *Quarterly Journal of Economics*, 115(3): 715-753.

Bigoni, Maria, Stefania Bortolotti, Marco Casari, Diego Gambetta, and Francesca Pancotto, 2014, “Amoral Familism, Social Capital, or Trust? The Behavioral Foundations of the Italian North-South Divide,” Unpublished Manuscript, <http://goo.gl/IMD6In>

Greif, Avner, 1994, “Cultural Beliefs and the Organization of Society: A Historical and Theoretical Reflection on Collectivist and Individualist Societies,” *Journal of Political Economy*, 102:912-950.

Guiso, Luigi, Paola Sapienza and Luigi Zingales, 2006, “Does Culture Affect Economic Outcomes?” *Journal of Economic Perspectives*, 20: 23-48.

Guiso, Luigi, Paola Sapienza and Luigi Zingales, 2009, “Cultural Biases in Economic Exchange,” *Quarterly Journal of Economics*, 124:1095-1131.

Nannicini, Tommaso, Andrea Stella, Guido Tabellini, and Ugo Troiano, 2013, “Social Capital and Political Accountability,” *American Economic Journal: Economic Policy*, 5(2): 222-250. Replication Data: http://www.aeaweb.org/aej/pol/data/2011-0005_data.zip

SOME ADDITIONAL TOPICS FOR RESEARCH PROJECTS

Politicians as Agents: Moral Hazard and Adverse Selection

Banks, Jeffrey S. and Rangarajan K. Sundaram, 1998, “Optimal Retention in Agency Problems,” *Journal of Economic Theory*, 82(2): 293-323.

Besley, Tim, 2007, *Principled Agents? The Political Economy of Good Government*, Oxford University Press, Sections 3.1-3.3.

Besley, Tim, Olle Folke, Torsten Persson, and Johanna Rickne, "Gender Quotas and the Crisis of the Mediocre Man: Theory and Evidence from Sweden," Available at: https://sites.google.com/site/folkeolle/home/wp/Gender_quotas_mediocre_man.pdf?attredirects=0

Gagliarducci Stefano, Tommaso Nannicini and Paolo Naticchioni, 2011, "Electoral Rules and Politicians' Behavior: A Micro Test," *American Economic Journal: Economic Policy*, 3(3):144-174. Replication Data: <http://www.tommasonannicini.eu/PublicationsData/tabid/64/Default.aspx>
Galasso, Vincenzo, and Tommaso Nannicini, 2011, "Competing on Good Politicians," *American Political Science Review*, 105(1): 79-99

Merlo, Antonio, and Andrea Mattozzi, 2013, "Mediocracy, Fourth Version," PIER Working Paper No. 13-010, http://papers.ssrn.com/sol3/papers.cfm?abstract_id=2213973

Reed, W. Robert, and Joonmo Cho, 1998, "A Comparison of Prospective and Retrospective Voting with Heterogeneous Politicians," *Public Choice*, 96(1-2): 93-116.

Politicians as Agents: The Role of Financial Incentives

Besley, Timothy, 2004, "Paying Politicians: Theory and Evidence," *Journal of the European Economic Association*, 2(2-3): 193-215.

Dal Bo, Ernesto, Frederico Finan, and Martin Rossi, 2012, "Strengthening State Capabilities: The Role of Financial Incentives in the Call to Public Service," NBER Working Paper No. 18156, <http://goo.gl/wmCDjF>

Diermeier, Daniel, Michael Keane, and Antonio Merlo, 2005, "A Political Economy Model of Congressional Careers," *American Economic Review*, 95(1): 347-373. Replication Data: <https://www.aeaweb.org/articles.php?doi=10.1257/0002828053828464>

Fedele, Alessandro and Paolo Naticchioni, 2013, "Moonlighting Politicians: Motivation Matters," IZA Discussion Paper No. 7500, <http://ftp.iza.org/dp7500.pdf>

Ferraz, Claudio and Frederico Finan, 2009, "Motivating Politicians: The Impacts of Monetary Incentives on Quality and Performance," NBER Working Paper No. 14906, <http://www.nber.org/papers/w14906.pdf>

Gagliarducci Stefano, Tommaso Nannicini and Paolo Naticchioni, 2010, "Moonlighting Politicians," *Journal of Public Economics*, 94(9-10):688-699. Replication Data: <http://www.tommasonannicini.eu/PublicationsData/tabid/64/Default.aspx>

Gagliarducci, Stefano and Tommaso Nannicini, 2013, "Do Better Paid Politicians Perform Better? Disentangling Incentives from Selection," *Journal of the European Economic Association*, 11: 369-398. Replication Data: http://www.tommasonannicini.eu/media/works/files/Data_JEEA.zip

Special Interests and Lobbying

Grossman, Gene M., and Elhanan Helpman, 1994, "Protection for Sale," *American Economic Review*, 84:833-50

Persson, Torsten, and Guido Tabellini, 2002, *Political Economics*, MIT Press, Ch. 7

Benabou, Roland, 2000, "Unequal Societies: Income Distribution and the Social Contract," *American Economic Review*, 90:96-129

Bouton, Laurent, Paola Conconi, Francisco Pino, and Maurizio Zanardi, 2014, "Guns and Votes," NBER Working Paper No 25253, <http://goo.gl/L8p2AC>

Conconi, Paola, Giovanni Facchini, Max F. Steinhardt, and Maurizio Zanardi, 2013, "The Political Economy of Trade and Migration: Evidence from the U.S. Congress," <http://goo.gl/oHeGYC>

Nunnari, Salvatore, 2014, "The Political Economy of the U.S. Auto Industry Crisis," Unpublished Manuscript, http://www.columbia.edu/~sn2562/nunnari_autobailout.pdf

Saint-Paul, Gilles, Charles R. Bean, and Giuseppe Bertola, 1996, "Exploring the Political Economy of Labor Market Institutions," *Economic Policy*, 11(23): 263-315.

Scheve, Kenneth, and David Stasavage, 2009, "Institutions, Partisanship, and Inequality in the Long Run," *World Politics*, 61(2): 215-253.

Mian, Atif, Amir Sufi, and Francesco Trebbi, 2010, "The Political Economy of the US Mortgage Default Crisis," *American Economic Review*, 100(5): 1967-98. Replication Data: <https://www.aeaweb.org/articles.php?doi=10.1257/aer.100.5.1967>

Bureaucrats

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

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

Alesina, Alberto and Guido Tabellini, 2007, "Bureaucrats or Politicians? Part I: A Single Policy Task," *American Economic Review*, 97(1): 169-179.

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

Besley Timothy and Stephen Coate, 2003, "Elected vs. Appointed Regulators: Theory and Evidence", *Journal of the European Economic Association*, 1(5): 1176-1206.

Brace, Paul and Brent D. Boyea, 2008, "State Public Opinion, the Death Penalty, and the Practice of Electing Judges," *American Journal of Political Science*, 52: 360–372.

Dixit, Avinash, 1997, "Power of Incentives in Private versus Public Organizations," *American Economic Review*, 87(2): 378-382.

Iaryczower, Matias, Garrett Lewis, and Matthew Shum, 2013, "To Elect or to Appoint? Bias, Information, and Responsiveness of Bureaucrats and Politicians," *Journal of Public Economics*, 97: 230-244.

Iaryczower, Matias and Matthew Shum, 2012, "Money in Judicial Politics: Individual Contributions and Collective Decisions," Unpublished Manuscript, <https://dl.dropboxusercontent.com/u/954402/judmoney.pdf>

International Political Economy

Alesina, Alberto and Enrico Spolaore, 1997, "On the Number and Size of Nations", *Quarterly Journal of Economics*, 112(4): 1027-56.

Alesina, Alberto, Ignazio Angeloni, and Federico Etro, 2005, "International Unions," *American Economic Review*, 95: 602-615.

Bolton, Patrick, and Gerard Roland, 1997, "The Breakup of Nations: a Political Economy Analysis," *Quarterly Journal of Economics*, 112(4): 1057-1090.

Bordignon, Massimo, and Sandro Brusco, 2006, "On Enhanced Cooperation," *Journal of Public Economics*, 90: 2063-2090.

Dube, Oeindrila, and Juan Vargas, 2013, "Commodity Price Shocks and Civil Conflict: Evidence from Colombia," *Review of Economic Studies*, 80(4): 1384-1421. Replication Data: <https://sites.google.com/site/commodityshocksandconflict/>

Harstad, Bard, Forthcoming, "The Dynamics of Climate Agreements", *Journal of the European Economic Association*, <https://www.sv.uio.no/econ/personer/vit/bardh/dokumenter/climate.pdf>

Nunn, Nathan and Nancy Qian, 2012, "Aiding Conflict: The Impact of U.S. Food Aid on Civil War," *NBER Working Paper No. 17794*, <http://www.nber.org/papers/w17794.pdf>.

Institutional Change and Democratization

Acemoglu, Daron, and James A. Robinson, 2005, *Economic Origins of Dictatorship and Democracy*, Cambridge University Press.

Acemoglu, Daron and James A. Robinson, 2000, "Why Did the West Extend the Franchise? Growth, Inequality and Democracy in Historical Perspective", *Quarterly Journal of Economics*, 15: 1167-1199.

Fiva, John, and Olle Folke, 2013, "Mechanical and Psychological Effects of Electoral Reform," Unpublished Manuscript, <http://goo.gl/tlPrh9>.

Haggard, Stephan, and Robert R. Kaufman, 2012, "Inequality and Regime Change: Democratic Transitions and the Stability of Democratic Rule," *American Political Science Review*, 106(3): 495-516.

Lizzeri, Alessandro and Nicola Persico, 2004, "Why Did the West Extend the Suffrage? Democracy and the Scope of Governments with an Application to Britain's Age of Reform," *Quarterly Journal of Economics*, 119(2): 707-765.

Llavador, Humberto and Robert J. Oxoby, 2005, "Partisan Competition, Growth, and the Franchise," *Quarterly Journal of Economics*, 120:1155-1192.

North, Douglass C. and Barry R. Weingast, 1989, "Constitutions and Commitment: Evolution of Institutions Governing Public Choice in Seventeenth Century England," *Journal of Economic History*, 49:803-832.

Profeta, Paola, Riccardo Puglisi, and Simona Scabrosetti, 2012, "Does Democracy affect Taxation and Government Spending? Evidence from Developing Countries," *Journal of Comparative Economics*, 41(3): 684-718.

Ting, Michael, James Snyder, Shigeo Hirano, and Olle Folke, 2013, "Elections and Reform: The Adoption of Civil Service Systems in the US States," *Journal of Theoretical Politics*, 25: 363-387.