

Political Economics

New Economic School, November – December, 2005/2006

Lecturers: Konstantin Sonin, Ekaterina Zhuravskaya

TA: Nikita Roketskiy

How do bad institutions appear? Why are they so stable? Why do democracies sometimes carry out bad economic policies? Why do not politicians fulfill their promises? Why is inequality so dangerous? Why was the Weimar republic so short-lived? Can decentralization be inefficient? The course in Political Economics tries to answer these and related questions.

There will be 14 lectures. Lectures taught by Ekaterina Zhuravskaya are labeled EZ, while those taught by Konstantin Sonin are labeled KS. In addition, there will be fortnightly home assignments (3), which will be then discussed at seminars, and weekly home essays (7). The final grade will consist of the final exam (40 percent), home assignments (30 percent) and essays (30 percent).

Introduction: What Is Political Economics? (1, KS)

Besley, T. "Political Selection", *Journal of Economic Perspectives*, forthcoming (2005)

Myerson, R. "Economic Analysis of Constitutions," *Chicago Law Review* 67:925-940 (2000)

Persson, T., Tabellini, G. "Political Economics", MIT Press, Ch. 1-3 (2000)

Shleifer, A., Vishny, R. "Politicians and Firms", *Quarterly Journal of Economics*, 1994:995-1025 (1994)

Economic Effects of Constitutions

Electoral systems (2, KS)

Baron, D. "Electoral competition with informed and uninformed voters," *American Political Science Review* 88:33-47 (1994)

Barro, R. "Control of politicians," *Public Choice* 14:19-42 (1973)

Besley, T., Coate, S. "An economic model of representative democracy," *Quarterly Journal of Economics* 112:85-114 (1997)

Dixit, A., Grossman, G., Helpman, E. "Common agency and coordination," *Journal of Political Economy* 105:752-769 (1997)

Ferejohn, J. "Incumbent performance and electoral control," *Public Choice* 50:5-26 (1986)

Grossman, G., Helpman, E. "Electoral competition and special interest politics," *Review of Economic Studies* 63:265-286 (1996)

Myerson, R. "Theoretical Comparisons of Electoral Systems," *European Economic Review* 43:671-697 (1999)

Persson, T., Tabellini, G. "Political Economics", MIT Press, Ch. 1-2 (2000)

Persson, T., Roland, G., and Tabellini, G. "Separation of Power and Political Accountability," *Quarterly Journal of Economics* 4:1163-1202 (1997)

Empirical strategy and results (2, EZ)

Acemoglu, D. "Constitutions, politics and economic growth: A review essay on Persson and Tabellini's "The Economic Effects of Constitutions", *Journal of Economic Literature*, forthcoming (2005)

Milesi-Feretti, G.-M., Perotti, R., Rostagno, M. "Electoral systems and the composition of government spending", *Quarterly Journal of Economics* 117:609-657 (2002)

- Persson, T., Tabellini, G. "The Economic Effects of Constitutions: : What Do the Data Say?" MIT Press, Ch. 3-9 (2003)
- Persson, T., Tabellini, G. "Constitutional rules and fiscal policy outcomes", *American Economic Review* 94:25-46 (2004)
- Persson, T., Tabellini, G., Trebbi, F. "Electoral rules and corruption", *Journal of the European Economic Association* 1:958-989 (2003)
- Persson, T., Roland, G., Tabellini, G. "Electoral rules and government spending in parliamentary democracies", mimeo, IIES (2005)
- Persson, T. "Forms of democracy, policy, and economic development", *NBER Working Paper*, No. 11171 (2005)
- Persson, T., Tabellini, G. "Constitutions and economic policy", *Journal of Economic Perspectives* 18:75-98 (2004)

Representation and Political Reservation (1, EZ)

- Chattopadhyay, Raghendra, Esther Duflo "Women as Policy Makers: Evidence from an India-wide Randomized Policy Experiment", mimeo, 2001
- Levitt, S. "How do Senators Vote? Disentangling the Role of Voter Preferences, Party Affiliation and Senator Ideology", *American Economic Review*, 86(3):425-441 (1996)
- Pande, R. "Minority Representation and Policy Choices: The Significance of Legislator Identity," *American Economic Review* 93(4):1132-1151 (2003)

Economic Effects of Other Political Institutions (1, EZ)

- Akhmedov, A., Zhuravskaya, E. "Opportunistic Political Cycles: Test in a Young Democracy Setting," *Quarterly Journal of Economics* 119(4):1301-1338 (2004)
- Besley, T., Case, A., "Does Political Accountability Affect Economic Policy Choices? Evidence From Gubernatorial Limits," *Quarterly Journal of Economics* 110(3):769-98 (1995)
- Besley, T., Case, A., "Political institutions and policy choices: Evidence from the United States", *Journal of Economic Literature* 41:7-73 (2003)

Institutions, Economic Performance, and Colonialism

Inequality and Inefficient Institutions (2, KS)

- Acemoglu, D., Robinson, J. "Why Did the West Extend the Franchise? Democracy, Inequality, and Growth in Historical Perspective," *Quarterly Journal of Economics* 115:1167-1199 (2000)
- Acemoglu, D., Robinson, J. "Economic Backwardness in Political Perspective", mimeo (2001)
- Acemoglu, D., Robinson, J. "Inefficient Redistribution", *American Political Science Review*, 95:649-61 (2001)
- Barzel, Y. "A Theory of the State", Cambridge University Press, Ch. 1-2 (2002)
- Glaeser, E., Sheinkman, J., Shleifer, A. "The Injustice of Inequality", *Journal of Monetary Economics*, forthcoming (2002)
- Engerman, R., Sokoloff, K. "The evolution of Suffrage Institutions in the New World" working paper, NBER (2001)
- Glaeser, E., Shleifer, A. "Legal Origins", *Quarterly Journal of Economics*, to appear (2001)
- Hellman, J. "Winners Take All: the Politics of Partial Reform", *World Politics*, 50:203-234 (1998)

La Porta, R., Lopez-de-Silanes, F., Shleifer, A., Vishny, R., “The Quality of Government,” *Journal of Law, Economics, and Organization* 15:222-279 (1999)

Murphy, K., Shleifer, A., Vishny, R. “Why Is Rent-Seeking So Costly to Growth?” *American Economic Review*, 83:409-14 (1993)

Polishchuk, L., Savvateev, A. “Spontaneous (Non) Emergence of Property Rights”, mimeo (2001)

Shleifer, A., Treisman, D. “Without a Map: Political Tactics and Economic Reform in Russia”. (2000)

Sonin, K. “Why the Rich May Favor Poor Protection of Property Rights”, *Journal of Comparative Economics*, forthcoming (2003)

Consequences of Colonialism (1, EZ)

Acemoglu, D., Johnson, S., Robinson, J., “The colonial origins of comparative development: An empirical investigation”, *American Economic Review* 91:1369-1401 (2001)

Banerjee, A., Iyer, L. “History, Institutions and Economic Performance: The Legacy of Colonial Land Tenure Systems in India,” mimeo (2002)

Glaeser, E., La Porta, R., Lopez-de-Silanes, F., and Shleifer, A. “Do Institutions Cause Growth?”, *Journal of Economic Growth*, 9:271-303 (2004)

Hall, R., Jones C. “Why do some countries produce so much more output per worker than others?”, *Quarterly Journal of Economics* 114:83-116 (1999)

Iyer, L. “The Long-term Impact of Colonial Rule: Evidence from India”, mimeo, MIT (2002)

Knack, S., Keefer, P. “Institutions and Economic Performance: Cross-Country Tests Using Alternative Measures,” *Economics and Politics*, 7:207-227 (1995)

La Porta, R., Lopez-de-Silanes, F., Shleifer, A., Vishny, R. “The Quality of Government”, *Journal of Law, Economics and Organization*, 15:222-279 (1999)

Mauro, P. “Corruption and Growth”, *Quarterly Journal of Economics*, 110(3):681-713 (1995)

Political Economics of Decentralization

Theory (1, KS)

Inman, R., Rubinfeld, D. “Rethinking Federalism”, *Journal of Economic Perspectives*, 11(4):43-64 (1997)

Lambert, A., Sonin, K., Zhuravskaya, E. “Capture of Law: Economics and Politics of Russian Bankruptcy”, mimeo (2003)

Myerson, R. "Federalism and incentives for success of democracy," working paper, University of Chicago (2005)

Qian, Y., Roland, G. “Federalism and the Soft Budget Constraint”, *American Economic Review*, 1143-1162 (1998)

Sonin, K. “Provincial Protectionism”, mimeo (2003)

Weingast, B. ”The Economic Role of Political Institutions: Market-Preserving Federalism and Economic Growth,” *Journal of Law, Economics, and Organization*, 64:1-31 (1995)

Zhuravskaya, E. “Incentives to Provide Local Public Goods”, *Journal of Public Economics*, 76(3):337-368 (2000)

Evidence (1, EZ)

Blanchard, O., and Shleifer, A. “Federalism with and without Political Centralization: China Versus Russia”, *IMF Staff Papers*, 48:171-179(2001)

Enikolopov, R., and Zhuravskaya, E., “Decentralization and Political Institutions,” mimeo (2003)

- Gennaioli, N., Rainer, I. "The Modern Impact of Pre-Colonial Centralization in Africa," mimeo, Harvard University (2004)
- Pranab, B. "Decentralization of Governance and Development", *Journal of Economic Perspectives*, 16:185-205 (2002)
- Riker, W. "Federalism", Houghton Mifflin (1964)
- Roland, G. "Transition and Economics", MIT Press, Ch. 11 (2000)
- Zhuravskaya, E. "Incentives to Provide Local Public Goods," *Journal of Public Economics* 76(3): 337-368 (2000)

Conflict, Commitment, and Economic Performance

Theory (1, KS)

- Acemoglu, D. "Why Not A Political Coase Theorem? Social Conflict, Commitment and Politics", mimeo (2003)
- Dixit, G., Grossman, G., Gul, F. "The Dynamics of Political Compromise," *Journal of Political Economy* 108:531-568 (2000)
- North, D., Weingast, B. "Constitutions and Commitment: The Evolution of Institutional Governing Public Choice in Seventeenth-Century England", *Journal of Economic History*, 49(4):803-832 (1989)
- Shepsle, K. "Discretion, Institutions and the Problem of Government Commitment," in Bourdieu, Pierre and Coleman, James, eds., *Social Theory for a Changing Society*, Boulder: Westview Press (1991)
- Schwarz, M., Sonin, K. "A Theory of Brinkmanship, Conflicts, and Commitments", mimeo (2003)
- Полтерович, В. "Институциональные ловушки", препринт РЭШ (2000)

Evidence (1, EZ)

- Alesina, A., Baqir, R., Easterly, W. "Public Goods and Ethnic Divisions", *Quarterly Journal of Economics* 114(4):1243-84 (1999)
- Alesina, A., Baqir, R., Hoxby, C. "Political Jurisdictions in Heterogeneous Communities", mimeo, (2000)
- Banerjee, A., Mookherjee, D., Munshi, K., Ray, D. "Inequality, Control Rights, and Rent Seeking: Sugar Cooperatives in Maharashtra," *Journal of Political Economy*, 109(1):138-190 (2001)
- Easterly, W., Levine, R. "Africa's Growth Tragedy: Policies and Ethnic Divisions", *Quarterly Journal of Economics*, 112(4):1203-50 (1997)
- Miguel, E., "Ethnic Diversity and School Funding in Kenya", mimeo, UC Berkely (2001)
- Miguel, E. "Poverty and Witch Killing", mimeo, UC Berkely (2003)