
**Political Science 580. Political Economy of Development
Economics, Political Science 582. Political Economy II**

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Course Info:
Spring 2009
MW 9:40–10:55
Harkness 112

How do political institutions affect economic outcomes? How do economic conditions determine political institutions? This course reviews recent advances in the emerging field of the political economy of institutions and development, with a focus on formal modeling and quantitative studies. We start with an introduction to the importance of institutions in affecting economic performance. Second, we review some basic models of democratic politics, focusing on the impact of economic conditions (such as inequality) on political outcomes. Third, we cover major theories of democratization, for example studying the effect of income and inequality on institutional change. Fourth, we study basic models of dictatorships, looking at the effect of non-democratic institutions on growth and international conflict. Finally, we take a critical look at the role of institutions and consider the possibility of policy persistence despite institutional change.

Course Requirements

The course grade is a combination of problem sets (25%), two topic reviews and one topic presentation (25%) and a final exam (50%). Problem sets consist of a handful of mathematical problems related to some articles covered in class. Topic reviews are short written assignments (no longer than six pages) which should summarize three articles on a narrow topic, explain their contribution, the questions that remain unresolved and the approach needed to address these shortcomings. The findings are then presented to the whole class in one topic presentation at the end of the semester. The final exam is a combination of mathematical problems and short essays. Please see the end of the syllabus for a complete schedule of assignments.

Texts and References

The reading list is long, so as to help you dig deeper in any topic (for a topic review, for example). You are expected to read the references marked with a * prior to coming to class (only those references, but all those references). There is no required textbook for the class. References below are either available as e-reserve from the Blackboard website (ER) or electronically from the Rush Rhees library website or the web more generally (E).

Academic Integrity

Be familiar with the University's policies on academic integrity and disciplinary action (<http://www.rochester.edu/College/honesty/students.html>). Violators of University regulations on academic integrity will be dealt with severely, which means that your grade will suffer, and I will forward your case to the Chair of the College Board on Academic Honesty.

Course Outline

1. An Introduction to Institutions (two lectures)

Wednesday January 14

- Acemoglu, Daron, Simon Johnson and James A. Robinson. 2001. 'The Colonial Origins of Comparative Development: An Empirical Investigation' *American Economic Review*. 91(5): 1369-1401.
- Acemoglu, Daron, Simon Johnson and James A. Robinson. 2002. 'Reversal of Fortune: Geography and Institutions in the Making of the World Income Distribution.' *Quarterly Journal of Economics*. 117(4): 1231-1294.
- *Acemoglu, Daron, Simon Johnson and James A. Robinson. 2005. 'Institutions as a Fundamental Cause of Long-Run Growth' in Philippe Aghion and Steven Durlauf. eds. *Handbook of Economic Growth*. Amsterdam: North Holland: 385-421 (ER).
- Engerman, Stanley L. and Kenneth L. Sokoloff. 1997. 'Factor Endowments, Inequality, and Differential Paths of Growth Among New World Economies: A View from Economic Historians of the United States' in Stephen Haber. ed. *How Latin America Fell Behind: Essays on the Economic Histories of Brazil and Mexico, 1800-1914*. Stanford, CA: Stanford University Press.
- Keefer, Philip and Stephen Knack. 1997. 'Why Don't Poor Countries Catch Up? A Cross-National Test of an Institutional Explanation.' *Economic Inquiry*. 35(3): 590-601.
- Knack, Stephen and Philip Keefer. 1995. 'Institutions and Economic Performance: Cross-Country Tests Using Alternative Measures.' *Economics and Politics*. 7(3): 207-227.
- Mauro, Paulo. 1995. 'Corruption and Growth.' *Quarterly Journal of Economics*. 110(3): 681-713.
- North, Douglass C. 1981. *Structure and Change in Economic History*. New York, N.Y.: W.W. Norton & Co.
- Sachs, Jeffrey. 2006. *The End of Poverty: Economic Possibilities for Our Time*. New York, NY: Penguin Press.
- *Sachs, Jeffrey. 2008. 'Institutions Matter, But Not for Everything. The role of geography and resource endowments in development shouldn't be underestimated.' in Giorgio Secondi (ed.) *The Development Economics Reader*. London, Routledge: 86-91. (ER)

Monday January 19 Martin Luther King Day (no class)

Wednesday January 21

- Acemoglu, Daron. 2003. 'Why Not a Political Coase Theorem? Social Conflict, Commitment, and Politics.' *Journal of Comparative Economics*. 31(4): 620-652.
- *Acemoglu, Daron, Simon Johnson and James A. Robinson. 2005. 'Institutions as a Fundamental Cause of Long-Run Growth' in Philippe Aghion and Steven Durlauf. eds. *Handbook of Economic Growth*. Amsterdam: North Holland: 421-464 (ER).
- Buchanan, James M. and Gordon Tullock. 2004. *The Calculus of Consent: Logical Foundations of Constitutional Democracy*. Indianapolis, IN: Liberty Fund.

- *Barro, Robert J. 1996. 'Democracy and Growth' *Journal of Economic Growth*. 1(1): 1-27. (E)
- Demsetz, Harold. 1967. 'Toward a Theory of Property Rights.' *American Economic Review*. 57(2): 347-359.
- Glaeser, Edward L. and Andrei Shleifer. 'Legal Origins' *Quarterly Journal of Economics*. 107(4): 1193-1229.
- Herbst, Jeffrey. 2000. *States and Power in Africa: Comparative Lessons in Authority and Control*. Princeton, N.J.: Princeton University Press.
- Lake, David A. and Matthew A. Baum. 2001. 'The Invisible Hand of Democracy.' *Comparative Political Studies*. 34(6): 587-621.
- Mulligan, Casey B., Ricard Gil and Xavier Sala-i-Martin. 2004. 'Do Democracies Have Different Public Policies than Nondemocracies?' *Journal of Economic Perspectives*. 18(1): 51-74.
- North, Douglass C. and Barry R. Weingast. 1989. 'Constitutions and Commitment: The Evolution of Institutions Governing Public Choice in Seventeenth-Century England.' *Journal of Economic History*. 49(4): 803-832.
- Rodrik, Dani. 1997. 'Democracy and Economic Performance.' Harvard University Kennedy School of Government mimeo.
- Tilly, Charles. 1985. 'War Making and State Making as Organized Crime' in Peter B. Evans, Dietrich Rueschemeyer and Theda Skocpol. (eds.) *Bringing the State Back In*. Cambridge, U.K.: Cambridge University Press: 169-191.
- Tilly, Charles. 1992. *Coercion, Capital, and European States, AD 990-1992*. Cambridge, MA: Blackwell Publishing.

2. Basic Model of (Democratic) Politics (five lectures)

2.1 General Introduction, with an Application to Inequality and Redistribution (one lecture)

Monday January 26

- Alesina, Alberto and Dani Rodrik. 1994. 'Distributive Politics and Economic Growth.' *Quarterly Journal of Economics*. 109(2): 465-490.
- Austen-Smith, David and Jeffrey S. Banks. 2000. *Positive Political Theory I. Collective Preference*. Ann Arbor, MI: University of Michigan Press: 26-34.
- Chattopadhyay, Raghendra and Esther Duflo. 2004. 'Women as Policy Makers: Evidence from a Randomized Policy Experiment in India.' *Econometrica*. 72(5): 1409-1443.
- Levitt, Steven D. 1996. 'How Do Senators Vote? Disentangling the Role of Voter Preferences, Party Affiliation, and Senator Ideology.' *The American Economic Review*. 86(3): 425-441.
- *Meltzer, Allan H. and Scott F. Richard. 1981. 'A Rational Theory of the Size of Government.' *Journal of Political Economy*. 89(5): 914-927. (E)
- Persson, Torsten and Guido Tabellini. 1994. 'Is Inequality Harmful for Growth?' *American Economic Review*. 84(3): 600-621.
- Persson, Torsten and Guido Tabellini. 2002. *Political Economics: Explaining Economic Policy*. Cambridge, MA: MIT Press: 19-41, 374-377.

- *Roberts, Kevin W. S. 1977. 'Voting Over Income Tax Schedules.' *Journal of Public Economics*. 8(3): 329-340. (E)

2.2 Lobbying, Vote-Buying (three lectures)

Wednesday January 28

- Becker, Gary S. 1983. 'A Theory of Competition Among Pressure Groups for Political Influence.' *Quarterly Journal of Economics*. 98(3): 371-400.
- *Grossman, Gene M. and Elhanan Helpman. 1994. 'Protection for Sale.' *American Economic Review*. 84(4): 833-850. (E)
- Lohmann, Suzanne. 1995. 'Information, Access, and Contributions: A Signaling Model of Lobbying.' *Public Choice* 85(3-4): 267-284.
- *Peltzman, Sam. 1976. 'Toward a More General Theory of Regulation.' *Journal of Law and Economics*. 19(2): 211-240. (E)
- Persson, Torsten and Guido Tabellini. 2002. *Political Economics: Explaining Economic Policy*. Cambridge, MA: MIT Press: 58-62, 171-175, 180-185.

Monday February 2

- *Dal Bo, Ernesto. 2007. 'Bribing Voters' *American Journal of Political Science*. 51(4): 789-803. (E)
- *Dekel, Eddie, Matthew O. Jackson and Asher Wolinsky. 2008. 'Vote Buying: General Elections.' *Journal of Political Economy*. 116(2): 351-380. (E)
- Snyder, James M. Jr. 1991. 'On Buying Legislatures.' *Economics and Politics*. 3(2): 93-109.

Wednesday February 4

- *Lizzeri, Alessandro and Nicola Persico. 2001. 'The Provision of Public Goods under Alternative Electoral Incentives.' *American Economic Review*. 91(1): 225-239. (E)
- *Myerson, Roger B. 1993. 'Incentives to Cultivate Favored Minorities Under Alternative Electoral Systems.' *American Political Science Review*. 87(4): 856-869. (E)
- Powell, Robert. 2007. 'Allocating Defensive Resources with Private Information about Vulnerability.' *American Political Science Review*. 101(4): 799-809.

2.3 Policy Compromise in Repeated Play (one lecture)

Monday February 9

- *Alesina, Alberto. 1988. 'Credibility and Policy Convergence in a Two-Party System with Rational Voters.' *American Economic Review*. 78(4): 796-805. (E)
- *Dixit, Avinash, Gene M. Grossman and Faruk Gul. 2000. 'The Dynamics of Political Compromise.' *Journal of Political Economy*. 108(3): 531-568. (E)
- Fudenberg, Drew and Jean Tirole. 1991. *Game Theory*. Cambridge, MA: The MIT Press: 145-156.

3. Democratization (nine lectures)

3.1 Modernization Theory (one lecture)

Wednesday February 11

- Acemoglu, Daron, Simon Johnson, James A. Robinson and Pierre Yared. 2007. ‘Reevaluating the Modernization Hypothesis.’ MIT mimeo.
- *Acemoglu, Daron, Simon Johnson, James A. Robinson and Pierre Yared. 2008. ‘Income and Democracy.’ *American Economic Review*. 98(3): 808-842. (E)
- *Boix, Carles and Susan C. Stokes. 2003. ‘Endogenous Democratization.’ *World Politics*. 55(4): 517-549. (E)
- Lipset, Seymour Martin. 1981. *Political Man: The Social Bases of Politics*. Expanded and Updated Edition. Baltimore, MD: The Johns Hopkins University Press.
- Przeworski, Adam, Michael E. Alvarez, Jose Antonio Cheibub and Fernando Limongi. 2000. *Democracy and Development. Political Institutions and Well-Being in the World, 1950-1990*. Cambridge, U.K.: Cambridge University Press.

3.2 Inequality and Institutional Change (five lectures)

Monday February 16

- *Acemoglu, Daron and James A. Robinson. 2006. *Economic Origins of Dictatorship and Democracy*. Cambridge, U.K.: Cambridge University Press: chapters 4.4.1-4.4.2 and 5. (E)

Wednesday February 18

- *Acemoglu, Daron and James A. Robinson. 2006. *Economic Origins of Dictatorship and Democracy*. Cambridge, U.K.: Cambridge University Press: chapters 6.1-6.8. (E)

Monday February 23

- *Boix, Carles. 2003. *Democracy and Redistribution*. Cambridge, U.K.: Cambridge University Press: chapter 1 (ER)

Wednesday February 25

- Barbera, Salvador and Matthew O. Jackson. 2004. ‘Choosing How to Choose: Self-Stable Majority Rules and Constitutions.’ *Quarterly Journal of Economics*. 119(3): 1011-1048.
- Iversen, Torben and David Soskice. 2006. ‘Electoral Institutions and the Politics of Coalitions: Why Some Democracies Redistribute More than Others.’ *American Political Science Review*. 100(2): 165-181.
- Roberts, Kevin. 1999. ‘Dynamic Voting in Clubs.’ *STICERD Discussion Paper, TE 99/367*
- *Ticchi, Davide and Andrea Vindigni. 2003. ‘Endogenous Constitutions.’ *Institute for International Economic Studies Seminar Paper No. 726* (ER)

Monday March 2 (Special lecture by Christian Houle)

- *Houle, Christian. 2008. 'Inequality and Democracy.' University of Rochester mimeo. (ER)

3.3 Resource Curse (one lecture)

Wednesday March 4

- Debs, Alexandre. 2007. 'On the Economic Origins of Dictatorship and Democracy: The Case of Russia.' University of Rochester Mimeo.
- *Dunning, Thad. 2008. *Crude Democracy: Natural Resource Wealth and Political Regimes*. Cambridge, UK: Cambridge University Press. chapter 3. (ER)
- *Fish, M. Steven. 2005. *Democracy Derailed in Russia: The Failure of Open Politics*. Cambridge, U.K.: Cambridge University Press: chapter 5. (ER)
- Krusel, Per and Jose-Victor Rios-Rull. 1996. 'Vested Interests in a Positive Theory of Stagnation and Growth.' *Review of Economic Studies*. 63(2): 301-329.
- Ross, Michael. 2001. 'Does Oil Hinder Democracy?' *World Politics*. 53(3): 325-361.

Monday March 9, Wednesday March 11 Spring break (no class)

3.4 Division within the Elite (one lecture)

Monday March 16

- Acemoglu, Daron and James A. Robinson. 2000. 'Why did the West Extend the Franchise? Democracy, Inequality, and Growth in Historical Perspective.' *Quarterly Journal of Economics*. 115(4): 1167-1199.
- Debs, Alexandre. 2007. 'On the Economic Origins of Dictatorship and Democracy: The Case of China.' University of Rochester Mimeo.
- *Lizzeri, Alessandro and Nicola Persico. 2004. 'Why the Elites Extend the Suffrage? Democracy and the Scope of Government, with an Application to Britain's "Age of Reform".' *Quarterly Journal of Economics*. 119(2): 707-765. (E)
- Llavador, Humberto and Robert J. Oxoby. 2005. 'Partisan Competition, Growth, and the Franchise.' *Quarterly Journal of Economics*. 120(3): 1155-1189.
- O'Donnell, Guillermo and Philippe C. Schmitter. 1986. *Transitions from Authoritarian Rule: Tentative Conclusions about Uncertain Democracies*. Baltimore, MD: The Johns Hopkins University Press

3.5 Democratization by Regime Type (one lecture)

Wednesday March 18

- Huntington, Samuel P. 1991. *The Third Wave: Democratization in the Late Twentieth Century*. Norman and London: University of Oklahoma Press. esp. chapters 1-3.
- *Geddes, Barbara. 1999. 'What Do We Know About Democratization After Twenty Years?' *Annual Review of Political Science*. 2: 115-144. (E)

- Magaloni, Beatriz. 2007. 'The Comparative Logic of Autocratic Survival.' Stanford University mimeo.

4. The Political Economy of Dictatorship (eight lectures)

4.1 Introduction (three lectures)

Monday March 23

- Acemoglu, Daron, Georgy Egorov and Konstantin Sonin. 2007. 'Coalition Formation in Nondemocracies.' MIT mimeo. (E. forthcoming in the *Review of Economic Studies*.)
- Chehabi, H.E. and Juan J. Linz. eds. 1998. *Sultanistic Regimes*. Baltimore, MD: The Johns Hopkins University Press.
- Myerson, Roger B. 2008. 'The Autocrat's Credibility Problem and Foundations of the Constitutional State.' *American Political Science Review*. 102(1): 125-139.
- *Svolik, Milan. 2008. 'Power-sharing and Leadership Dynamics in Authoritarian Regimes.' University of Illinois at Urbana-Champaign Mimeo. (E. forthcoming in the *American Journal of Political Science*)
- Tullock, Gordon. 1987. *Autocracy*. Boston, MA: Kluwer Academic Publishers.
- *Weber, Max. 1968. *Economy and Society: An Outline of Interpretive Sociology*. edited by Guenther Roth and Claus Wittlich. New York, NY: Bedminster Press: chapters XII. (ER)
- Wintrobe, Ronald. 1998. *The Political Economy of Dictatorship*. Cambridge, U.K.: Cambridge University Press. chapters 1 - 5.

Wednesday March 25 (Special lecture by Patrick Kuhn)

- Boix, Carles and Milan Svolik. 2008. 'The Foundations of Limited Authoritarian Government: Institutions and Power-sharing in Dictatorship.' University of Illinois at Urbana-Champaign Mimeo. (E)
- Cox, Gary. 2008. 'Authoritarian Elections and Leadership Succession, 1975-2000.' University of California at San Diego Mimeo.
- Gandhi, Jennifer. 2008. *Political Institutions under Dictatorship*. New York, N.Y.: Cambridge University Press.
- Gandhi, Jennifer and Adam Przeworski. 2006. 'Cooperation, Cooptation, and Rebellion under Dictatorship.' *Economics and Politics*. 18(1): 1-26.
- *Kuhn, Patrick. 2008. 'Concessions or Repression: How Economic Inequality Affects Institutional and Behavioral Choices in Dictatorship.' University of Rochester Mimeo (ER).
- Lust-Okar, Ellen. 2004. 'Divided They Rule: The Management and Manipulation of Political Opposition.' *Comparative Politics*. 36(2): 159-179.

Monday March 30

- Acemoglu, Daron, James A. Robinson and Thierry Verdier. 2004. 'Kleptocracy and Divide-and-Rule: A Model of Personal Rule.' Alfred Marshall Lecture, *Journal of the European Economic Association*, April-May 2(2-3): 162-192.
- *Debs, Alexandre. 2007. 'Divide-and-Rule and the Media.' University of Rochester mimeo. (E)
- *Padro-i-Miquel, Gerard. 2007. 'The Control of Politicians in Divided Societies: The Politics of Fear.' *Review of Economic Studies*, 74(4): 1259-1274. (E)

4.2 Dictatorship and Growth (three lectures)

Wednesday April 1

- *Besley, Timothy and Masayuki Kudamatsu. 2007. 'Making Autocracy Work.' London School of Economics Mimeo (E).
- *McGuire, Martin C. and Mancur Olson, Jr. 1996. 'The Economics of Autocracy and Majority Rule: The Invisible Hand and the Use of Force.' *Journal of Economic Literature*. 34(1): 72-96. (E)
- Paltseva, Elena. 2006. 'Autocracy, Devolution and Growth.' Stockholm School of Economics Mimeo.
- Wright, Joseph. 2008. 'Do Authoritarian Institutions Constrain? How Legislatures Affect Economic Growth and Investment.' *American Journal of Political Science*. 52(2): 322-343.

Monday April 6

- Acemoglu, Daron, Georgy Egorov and Konstantin Sonin. 2007. 'Coalition Formation in Nondemocracies.' MIT mimeo.
- Acemoglu, Daron, Davide Ticchi and Andrea Vindigni. 2007. 'A Theory of Military Dictatorships.' MIT mimeo.
- *Debs, Alexandre. 2007. 'Political Strength and Economic Efficiency in a Multi-Agent State.' University of Rochester Mimeo.(E)
- Egorov, Georgy and Konstantin Sonin. 2006. 'Dictators and their Viziers: Endogenizing the Loyalty-Competence Trade-off.' Available at SSRN: <http://ssrn.com/abstract=630503>
- Lorentzen, Peter. 2006. 'Regularized Rioting: The Strategic Toleration of Public Protest in China.' University of California at Berkeley Mimeo.

Wednesday April 8

- Coate, Stephen and Stephen Morris. 1995. 'On the Form of Transfers to Special Interests.' *Journal of Political Economy*, 103(6): 1210-1235.
- *Debs, Alexandre. 2007. 'The Wheel of Fortune: Agency Problems in Dictatorships.' University of Rochester Mimeo. (E)
- Cho, In-Koo and David M. Kreps. 1987. 'Signaling Games and Stable Equilibria.' *Quarterly Journal of Economics*, 102(2): 179-222.

- Robinson, James A. and Ragnar Torvik. 2005. 'White Elephants.' *Journal of Public Economics* 89(2-3): 197-210.

4.3 Dictatorship and War (two lectures)

Monday April 13

- Maoz, Zeev and Bruce Russett. 1993. 'Normative and Structural Causes of Democratic Peace, 1946-1986.' *American Political Science Review*. 87(3): 624-638.
- *Bueno de Mesquita, Bruce, James D. Morrow, Randolph M. Siverson and Alastair Smith. 1999. 'An Institutional Explanation of the Democratic Peace.' *American Political Science Review*. 93(4): 791-807. (E)
- Kant, Immanuel. 2006 [1795]. 'Toward Perpetual Peace: A Philosophical Sketch' in Pauline Kleingeld (ed.) *Toward Perpetual Peace and Other Writings on Politics, Peace, and History*. New Haven: Yale University Press: 67-109. (E)
- *Ray, James Lee. 1998. 'Does Democracy Cause Peace?' *Annual Review of Political Science*. 1: 27-46. (E)

Wednesday April 15

- Baliga, Sandeep, David O. Lucca and Tomas Sjostrom. 2007. 'Domestic Political Survival and International Conflict: Is Democracy Good for Peace?' Northwestern University mimeo.
- *Debs, Alexandre and Hein Goemans. 2008. 'War! Who Is It Good For? The Relationship between Regime Type, the Fate of Leaders and War.' University of Rochester Mimeo. (E)
- Levy, Gilat, and Ronny Razin. 2004. 'It Takes Two: An Explanation of the Democratic Peace.' *Journal of the European Economic Association*. 2(1): 1-29.
- Patty, John W. and Roberto A. Weber. 2006. 'Agreeing to Fight: An Explanation of the Democratic Peace.' *Politics, Philosophy & Economics*. 5(3): 305-320.

5. Institutional Change and Policy Persistence (two lectures)

Monday April 20

- *Acemoglu, Daron and James A. Robinson. 2007. 'Persistence of Power, Elites and Institutions.' MIT Mimeo. (E)
- Acemoglu, Daron, Maria Angelica Batista, Pablo Querubin and James A. Robinson. 2007. 'Economic and Political Inequality in Development: The Case of Cundinamarca, Colombia.' MIT Mimeo.
- Acemoglu, Daron, Davide Ticchi and Andrea Vindigni. 2007. 'Emergence and Persistence of Inefficient States.' MIT Mimeo. (E)
- Michels, Robert. 1962 [1911]. *Political Parties. A Sociological Study of the Oligarchic Tendencies of Modern Democracy*. New York: The Free Press.

Wednesday April 22

- *Debs, Alexandre and Gretchen Helmke. 2008. 'Inequality under Democracy: Explaining "The Left Decade" in Latin America.' University of Rochester Mimeo. (E)

Topic Presentations (two lectures)

Monday April 27

Wednesday April 29

FINAL EXAM

Wednesday May 6 (in class). 9am to 12noon.

Schedule of Assignments

Problem Sets

Problem set 1: Handed out on January 21. Due February 4.

Problem set 2: Handed out on February 4. Due February 18.

Problem set 3: Handed out on February 18. Due March 4.

Problem set 4: Handed out on March 18. Due April 1.

Problem set 5: Handed out on April 1. Due April 22.

Topic Reviews

Topic Review 1: List of 3 papers due February 25. Review due March 18.

Topic Review 2: List of 3 papers due March 30. Review due April 13.

Topic Presentation and Final Exam (see above).