

# Political Economics 2

Module 3, 2017-2018

**Gunes Gokmen**  
New Economic School  
ggokmen@nes.ru

## Course information

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**Course Website:** TBA

**Instructor's Office Hours:** TBA

**Class Time:** TBA

**Room Number:** TBA

**TAs:**

## Course description

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This course introduces students to a set of selected concepts and research questions in political economics with a special focus on empirical applications. By the end of this course, students should be familiar with the contemporary literature in political economics, and should have the necessary skills and knowledge to carry out a research project in political economics.

## Course requirements, grading, and attendance policies

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Students are expected to be familiar with basic econometric techniques and basic concepts in economics. Grading will be comprised of class participation and in-class presentations (30%), referee reports (35%), and exam (35%). Each referee report should be no longer than 3 pages, single-spaced. The report should start off with a one short paragraph summary of the main argument of the paper. It should proceed with the main criticisms of the paper. Conclude the report with minor comments. A good referee report not only clearly states the shortcomings of the work, but also lays out constructive, detailed and realistic suggestions for improvement. This exercise is meant to sharpen critical skills and to enable students to present a paper, compare it to the relevant literature, summarize its contributions, discuss its main assumptions, and think about ways to improve it. Submission of assignments after the due deadline is heavily discounted.

## Course contents

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### 1. Political cycles, elections vs. appointments

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

Akhmedov, A., Zhuravskaya, E. (2004) "Opportunistic Political Cycles: Test in a Young Democracy Setting," *Quarterly Journal of Economics* 119(4):1301-1338

Besley, T., Case, A., (1995) "Does Political Accountability Affect Economic Policy Choices?"

Evidence From Gubernatorial Limits," *Quarterly Journal of Economics* 110(3):769-98

Besley, T., Case, A., (2003) "Political institutions and policy choices: Evidence from the United States", *Journal of Economic Literature* 41:7-73

Francesco Trebbi, Philippe Aghion, Alberto Alesina, 2008. "Electoral Rules and Minority Representation in U.S. Cities," *The Quarterly Journal of Economics*, MIT Press, vol. 123(1), pages 325-357, 02.

## **2. Political Economics of Decentralization**

Enikolopov, R., and Zhuravskaya, E., (2008) "Decentralization and Political Institutions," *Journal of Public Economics*, 91 (11), 2007, pp. 2261-2290.

Pranab, B. (2002) "Decentralization of Governance and Development", *Journal of Economic Perspectives*, 16:185-205

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

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

Zhuravskaya, E. (2011) "Federalism in Russia," Forthcoming in *Russia's Balance-sheet*

E.Zhuravskaya, S. Guriev and E.Yakovlev "Interest Group Politics in a Federation" *Journal of Public Economics*, 2010

## **3. Economic Effects of Constitutions**

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

Torsten P. "Forms of democracy, policy and economic development", mimeo

Persson, T., Tabellini, G. (2003) "The Economic Effects of Constitutions: : What Do the Data Say?" MIT Press, Ch. 3-9

Persson, T., Tabellini, G. (2004) "Constitutional rules and fiscal policy outcomes", *American Economic Review* 94:25-46

Persson, T., Tabellini, G., Trebbi, F. (2003) "Electoral rules and corruption", *Journal of the European Economic Association* 1:958-989

Persson, T. (2005) "Forms of democracy, policy, and economic development", NBER Working Paper, No. 11171

Persson, T., Tabellini, G. (2004) "Constitutions and economic policy", *Journal of Economic Perspectives* 18:75-98

## **4. Political Persuasion of Media, effects and determinants of media freedom**

DellaVigna, S., and M. Gentzkow (2011) "Persuasion: Empirical Evidence," *Annual Review of Economics*.

DellaVigna, S. and E. Kaplan (2007). The Fox News effect: Media bias and voting. *Quarterly Journal of Economics* 122(3), 807-860.

Enikolopov, Petrova, and Zhuravskaya "Media and Political Persuasion: Evidence from Russia" (Forthcoming at AER, 2011)

James M. Snyder & David Strömberg, 2010."Press Coverage and Political Accountability," *Journal of Political Economy*, University of Chicago Press, vol. 118(2), pages 355-408, 04.

Egorov, G., S. Guriev, and K. Sonin (2009). Media freedom, bureaucratic incentives, and the resource curse, *American Political Science Review* 103(4), 645-668.

Andrea Prat and David Strömberg 2010 "The Political Economy of Mass Media" CEPR Discussion Paper Series No. 8246.

## **5. Conflict**

- Alesina, A. R. Baqir and W. Easterly. 1999. "Public Goods and Ethnic Divisions" *Quarterly Journal of Economics*, 1243--1284.
- Alesina, A. R. Baqir, and C. Hoxby. 2004. "Political Jurisdictions in Heterogeneous Communities" *Journal of Political Economy*, 349-396.
- Alesina, A., Devleeschauwer, A., Easterly, W., Kurlat, S. and Wacziarg, R. 2003. "Fractionalization." *Journal of Economic Growth*, 8, 155-194.
- Alesina, A., W. Easterly, and J. Matuszeski. 2009. "Artificial States" *Journal of the European Economic Association*.
- Alberto Alesina & Eliana La Ferrara, 2000. "Participation In Heterogeneous Communities," *The Quarterly Journal of Economics*, MIT Press, vol. 115(3), pages 847-904, August.
- Alesina, Alberto & La Ferrara, Eliana, 2002. "Who trusts others?," *Journal of Public Economics*, Elsevier, vol. 85(2), pages 207-234,
- Alesina, A. and E. La Ferrara. 2005. "Ethnic Diversity and Economic Performance" *Journal of Economic Literature*, 762-800.
- Alesina A., S Michalopoulos and E Papaioannou (2012) "Ethnic Inequality" unpublished.
- Alesina and Zhuravskaya (2011) "Segregation and the quality of government," *AER* 2012.
- Easterly, William and Ross Levine. 1997. "Africa's Growth Tragedy: Policies and Ethnic Divisions" *Quarterly Journal of Economics* 112, 1203-1250.
- Esteban J. Mayoral and D. Ray. 2012. "Ethnicity and Conflict: an Empirical Investigation" *American Economic Review*, 1310-42.
- Miguel, E., Shanker Satyanath and Ernest Sergenti, 2004. "Economic Shocks and Civil Conflict: An Instrumental Variables Approach," *Journal of Political Economy*, University of Chicago Press, vol. 112(4), pages 725-753.

## **6. Historical Institutions**

- Acemoglu, Daron, Simon Johnson and James A. Robinson. 2001. "The Colonial Origins of Comparative Development: An Empirical Investigation," *American Economic Review*, 1369-1401.
- Albouy, David. 2012. "The Colonial Origins of Comparative Development: An Empirical Investigation: Comment." *American Economic Review*, 102(6): 3059-3076.
- Banerjee, A., Iyer, L. 2002. "History, Institutions and Economic Performance: The Legacy of Colonial Land Tenure Systems in India," *American Economic Review*, Vol. 95(4), pp. 1190-1213.
- Chaney, E. 2008. "Ethnic Cleansing and the Long-Term Persistence of Extractive Institutions: Evidence from the Expulsion of the Moriscos." Harvard University, Department of Economics, Manuscript.
- De Long, J. Bradford and Andrei Shleifer. 1993. "Princes and Merchants: European City Growth before the Industrial Revolution," *Journal of Law and Economics*, 36, 671-702.
- Dell, M., Jones, B. and Olken, B. 2012. "Temperature Shocks and Economic Growth: Evidence from the Last Half Century." *American Economic Journal: Macroeconomics*, 4(3): 66-95.
- Glaeser, Edward L., Rafael La Porta, Florencio Lopez-de-Silanes and Andrei Shleifer. 2004. "Do Institutions Cause Growth?" *Journal of Economic Growth*, 271-303.
- Nunn, Nathan. 2008. "The Long Term Effects of Africa's Slave Trades." *Quarterly Journal of Economics*, Vol. 123, No. 1, pp. 139-176.
- Nathan Nunn, 2009. "The Importance of History for Economic Development," *Annual Review of Economics*, Annual Reviews, vol. 1(1), pages 65-92, 05.

Nunn, N. and Puga, D. 2012. "Ruggedness: The Blessing of Bad Geography in Africa." *Review of Economics and Statistics*, 94(1):20-36.

## **7. Culture and Social Capital**

- Alesina, A. and P. Giuliano. 2011. "The Power of the Family." *Journal of Economic Growth*.
- Alesina, A., Yann Algan, Pierre Cahuc, and Paola Giuliano. 2010. "Family Values and the Regulation of Labor." NBER Working Paper 15747.
- Algan, Y. and Cahuc, P. 2007. "Social Attitudes and Macroeconomic Performance: An Epidemiological Approach." Mimeo, Paris School of Economics.
- Cantoni, Davide. 2009. "The Economic Effects of the Protestant Reformation: Testing the Weber Hypothesis in the German Lands." Harvard University, Department of Economics, Manuscript.
- Fernandez, R. 2007. "Culture and Economics." In: Durlauf, S., N., Blume, L., E., (Eds.), *New Palgrave Dictionary of Economics*, second ed. Palgrave MacMillan, New York.
- Guiso, L., Sapienza, P. and Zingales, L. 2003. "People's Opium? Religion and Economic Attitudes." *Journal of Monetary Economics*, 50, 225--282.
- Guiso, L., Sapienza, P. and Zingales, L. 2004. "The Role of Social Capital in Financial Development." *American Economic Review*, 94, 526--556.
- Guiso, L., Sapienza, P. and Zingales, L. 2006. "Does Culture Affect Economic Outcomes?" *Journal of Economic Perspectives*, 20, 23-48.
- Guiso, L., Sapienza, P. and Zingales, L. 2008. "Social Capital as Good Culture." *Journal of the European Economic Association*, 6, 295--320.
- Nannicini, T., Stella, A., Tabellini, G. and Troiano, U. 2012. "Social Capital and Political Accountability." *American Economic Journal: Economic Policy*, forthcoming.
- Tabellini, G. 2007. "Culture and Institutions: Economic Development in the Regions of Europe." IGER Working Paper No. 292.
- Tabellini, G. 2008. "Institutions and Culture." *Journal of the European Economic Association*, 6 (2--3), 255--294.

## **8. Minorities**

- Acemoglu, Daron, Hassan, Tarek A. And Robinson, James A., "Social Structure And Development: A Legacy Of The Holocaust In Russia," *Quarterly Journal of Economics*, 2011, 126, 895-946.
- Botticini, Maristella and Zvi Eckstein, "From Farmers To Merchants, Conversions And Diaspora: Human Capital And Jewish History," *Journal of the European Economic Association*, 2007, (5):885-926.
- Grosfeld, Irena, Alexander Rodnyansky and Ekaterina Zhuravskaya, "Persistent Antimarket Culture: A Legacy of the Pale of Settlement after the Holocaust," *American Economic Journal: Economic Policy*, 2013, 5(3): 189-226.
- Hornung, Erik, "Immigration and the Diffusion of Technology: The Huguenot Diaspora in Prussia," *American Economic Review*, 2014, vol. 104(1), 84-122.
- Waldinger, Fabian, "Peer Effects in Science: Evidence from the Dismissal of Scientists in Germany," *Review of Economic Studies*, 2012, 79, 838-861.

## **Description of course methodology**

Students will be familiarized with recent important questions in political economics, and the techniques used in order to answer those questions. Students will acquire hands-on experience through assignments, and develop their presentation skills through in-class presentations.

## **Course materials**

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### **Required textbooks and materials**

There is no single textbook for this course, and the discussion will mostly be based on papers. A selected number of papers from the reading list (see under “Course contents”) will be covered in class and the remainder will be left for interested students.

### **Additional materials**

Persson, T. and Tabellini, G. (2000). “Political Economics: Explaining Economic Outcomes.” MIT Press.

Acemoglu, D. and Robinson, J. (2006). “Economic Origins of Dictatorship and Democracy.” Cambridge University Press.

## **Sample tasks for course evaluation**

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**Example 1.** This is an example of what students might be expected to produce for an assignment:

Consider paper “X”, write a referee report on this paper (no longer than 3 pages) providing,

- i. Summary including main assumptions and main contributions,
- ii. Comparison to the relevant literature,
- iii. Critical assessment with main criticisms,
- iv. Minor comments,
- v. Ways to improve it with realistic suggestions.

## **Academic integrity policy**

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Cheating, plagiarism, and any other violations of academic ethics at NES are not tolerated.