

## Political Economy

### Module 1, 2021-2022

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#### Course information

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**Course Website:** TBA

**Instructor's Office Hours:** TBA

**Class Time:** TBA

**Room Number:** TBA

**TA:** Fedor Boboshin [fboboshin@nes.ru](mailto:fboboshin@nes.ru)

#### Course description

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In the last two or three decades, a thriving research program in political economics has shown that a proper understanding of economic phenomena in both developed and developing countries requires a consideration of the political and legal institutions in which markets operate. This course reviews key contributions in the field of political economics, both theoretical and empirical ones. First, it illustrates the key approaches to study democratic politics, elections, and policy choice. Second, it analyzes different political institutions, political transitions, and institutional dynamics. Finally, it looks at the instances of government failure, including corruption, state fragility, and violent conflicts.

#### Course requirements, grading, and attendance policies

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The grade will be a combination of active class attendance, referee reports/problem sets, and the final short research paper.

The weight in the final grade:

- referee reports and problem sets– 45%
- class participation – 5%
- research paper (in teams of up to three people) – 50%

Getting an unsatisfactory grade for either referee reports and problem sets or research paper results in an unsatisfactory grade of the whole course.

## Course contents

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### Introduction (R)

- Acemoglu, Daron, and James Robinson (2006), Ch. 2.
- Persson, Torsten, and Guido Tabellini (2000), "Political Economics", Ch. 1
- Myerson, Roger (2000) "Economic Analysis of Constitutions," *Chicago Law Review* 67:925-940

### Democratic politics. Theoretical Framework.

#### Voting and elections

- Acemoglu, Daron, and James Robinson (2006), Ch. 6, 8
- Persson, Torsten, and Guido Tabellini (2000), Ch. 2-3
- Austen-Smith, David and Banks, Jeffrey (1999) *Positive Political Theory: Collective Preference*, Ann Arbor; University of Michigan Press.
- Lindbeck, Assar, and Weibull, Jorgen W. (1987) "Balanced-Budget Redistribution as the Outcome of Political Competition." *Public Choice* 52: 273-297.

### Do politicians represent the median voter? Empirical Evidence

- Gerber, Elisabeth R., and Jeffrey B. Lewis (2004). "Beyond the median: Voter preferences, district heterogeneity, and political representation." *Journal of Political Economy* 112, no. 6: 1364-1383.
- Stromberg, David. "How the Electoral College influences campaigns and policy: the probability of being Florida." *American Economic Review* 98, no. 3 (2008): 769-807.
- Husted, Thomas and Lawrence Kenny (1997). "The Effect of the Expansion of the Voting Franchise on the Size of Government", *Journal of Political Economy*, 105(1), 54-81.
- Fujiwara, Thomas. "Voting technology, political responsiveness, and infant health: Evidence from Brazil." *Econometrica* 83, no. 2 (2015): 423-464.
- Lee, David, and Enrico Moretti, and Matthew J. Butler (2004). "Do Voters Affect or Elect Policies? Evidence from the U.S. House," *Quarterly Journal of Economics*, 119(3), 807-859.
- Miller, Grant (2008). "Women's Suffrage, Political Responsiveness, and Child Survival in American History", *Quarterly Journal of Economics*, 123(3), 1287-1327.

### Political participation: elections

#### Theoretical Framework

- Feddersen, T. and W. Pesendorfer (1996) The Swing Voter's Curse. *American Economic Review*. 86(3): 408-424.
- Ali and Lin (2013) "Why People Vote: Ethical Motives and Social Incentives," *AJ: Microeconomics*
- Feddersen, Timothy J. (2004) Rational choice theory and the paradox of not voting. *Journal of Economic Perspectives* 18(1): 99-112.
- Feddersen, Timothy, and Alvaro Sandroni (2006) A theory of participation in elections. *American Economic Review* 96(4): 1271-1282.
- McMurray (2013) "Aggregating Information by Voting: The Wisdom of the Experts versus the Wisdom of the Masses," *Review of Economic Studies*

#### Empirical Evidence

- Coate, S., M. Conlin, and A. Moro (2008) "The performance of pivotal-voter models in small-scale elections: Evidence from Texas liquor referenda," *Journal of Public Economics*

- Gerber, Alan S., and Donald P. Green (2000). "The Effects of Canvassing, Direct Mail, and Telephone Contact on Voter Turnout: A Field Experiment." *American Political Science Review* 94: 653-63.
- Green, Donald P., Alan S. Gerber, and David W. Nickerson. "Getting out the vote in local elections: Results from six door-to-door canvassing experiments." *The Journal of Politics* 65, no. 4 (2003): 1083-1096.
- Krasno, Jonathan S., and Donald P. Green (2008). Do Televised Presidential Ads Increase Voter Turnout? Evidence from a Natural Experiment. *Journal of Politics* 70 (1): 245–261.
- Gerber, Alan S., and Donald P. Green, and Christopher W. Larimer (2008). "Social Pressure and Voter Turnout: Evidence from a Large-Scale Field Experiment." *American Political Science Review* 102(1): 33-48.
- Gerber, Alan S., Donald P. Green, and Christopher W. Larimer. "An experiment testing the relative effectiveness of encouraging voter participation by inducing feelings of pride or shame." *Political Behavior* 32, no. 3 (2010): 409-422.
- Nickerson, David W. (2008). "Is Voting Contagious? Evidence from Two Field Experiments." *American Political Science Review* 102: 49-57.
- DellaVigna, Stefano, John A. List, Ulrike Malmendier, and Gautam Rao. "Voting to tell others." *The Review of Economic Studies* 84, no. 1 (2016): 143-181.
- Bond, Robert M., Christopher J. Fariss, Jason J. Jones, Adam DI Kramer, Cameron Marlow, Jaime E. Settle, and James H. Fowler. "A 61-million-person experiment in social influence and political mobilization." *Nature* 489, no. 7415 (2012): 295-298.
- Shineman, Victoria Anne. "If you mobilize them, they will become informed: experimental evidence that information acquisition is endogenous to costs and incentives to participate." *British Journal of Political Science* 48, no. 1 (2018): 189-211.
- León, Gianmarco. "Turnout, political preferences and information: Experimental evidence from Peru." *Journal of Development Economics* 127 (2017): 56-71.

## **Politicians. Political selection**

### **Theoretical Framework**

- Persson and Tabellini (2000) Ch. 4-5
- Besley, Timothy (2006), Ch. 3
- Besley, Timothy, 2005, "Political Selection" *Journal of Economic Perspectives*, 19(3), 43-60.
- Osborne, Martin J., and Al Slivinski. "A model of political competition with citizen-candidates." *The Quarterly Journal of Economics* 111, no. 1 (1996): 65-96.
- Besley, Timothy, and Stephen Coate. "An economic model of representative democracy." *The Quarterly Journal Of Economics* 112, no. 1 (1997): 85-114.
- Caselli, Francesco, and Massimo Morelli. 2004. "Bad Politicians." *Journal of Public Economics*, 88:759–782.
- Mattozzi, Andrea, and Antonio Merlo. "The transparency of politics and the quality of politicians." *American Economic Review* 97, no. 2 (2007): 311-315.
- McKelvey, Richard D., and Raymond Riezman (2012) "Seniority in legislature." *American Political Science Review*.
- Acemoglu, Daron, Georgy Egorov, and Konstantin Sonin. "Political selection and persistence of bad governments." *The Quarterly Journal of Economics* 125, no. 4 (2010): 1511-1575.
- Egorov, Georgy, and Konstantin Sonin. "Dictators and their viziers: Endogenizing the loyalty–competence trade-off." *Journal of the European Economic Association* 9, no. 5 (2011): 903-930.

### **Empirical Evidence**

- Chattopadhyay, Raghendra and Esther Duflo (2004). "Women as Policy Makers: Evidence from a Randomized Policy Experiment in India," *Econometrica*, 72(5), 1409-1443.
- Ferraz, Claudio, and Frederico Finan. "Electoral accountability and corruption: Evidence from the audits of local governments." *American Economic Review* 101, no. 4 (2011): 1274-1311.
- Ferraz, Claudio, and Frederico Finan. "Electoral accountability and corruption: Evidence from the audits of local governments." *American Economic Review* 101, no. 4 (2011): 1274-1311.
- Ferraz, Claudio, and Frederico Finan. "Electoral accountability and corruption: Evidence from the audits of local governments." *American Economic Review* 101, no. 4 (2011): 1274-1311.
- Pande, Rohini (2003). "Can Mandated Political Representation Increase Policy Influence for Disadvantaged Minorities? Theory and Evidence from India," *American Economic Review*, 93(4), 1132-1151.
- Jones, B. and B. Olken (2005), "Do leaders matter? National Leadership and Growth Since World War II," *Quarterly Journal of Economics*, 120(3) 835-864.
- Besley, Timothy, Rohini Pande, and Vijayendra Rao. "Participatory democracy in action: Survey evidence from South India." *Journal of the European Economic Association* 3, no. 2-3 (2005): 648-657.
- Besley, Timothy. 2004. "Paying Politicians: Theory and Evidence." *Journal of the European Economic Association*, 2:193-215.
- Besley, Timothy, Jose G.Montalvo, and Marta Reynal-Querol (2011) "Do Educated Leaders Matter?" *Economic Journal*, 121(554), F205-227.
- Besley, Timothy, and Marta Reynal-Querol (2011) "Do Democracies Select More Educated Leaders?" *American Political Science Review*, 105 (3).
- Besley, Timothy, Olle Folke, Torsten Persson, and Johanna Rickne. "Gender quotas and the crisis of the mediocre man: Theory and evidence from Sweden." *American economic review* 107, no. 8 (2017): 2204-42.
- Ferraz, Claudio, and Frederico Finan. "Electoral accountability and corruption: Evidence from the audits of local governments." *American Economic Review* 101, no. 4 (2011): 1274-1311.
- Ferraz, Claudio, and Frederico Finan. "Electoral accountability and corruption: Evidence from the audits of local governments." *American Economic Review* 101, no. 4 (2011): 1274-1311.

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### **Political Accountability**

- Alt, James, Ethan Bueno de Mesquita, and Shanna Rose (2011) "Disentangling accountability and competence in elections: evidence from US term limits." *The Journal of Politics* 73(1): 171-186.
- Alesina, Alberto, and Gerald Cohen 1999. "Political Cycles and the Macroeconomy." MIT press. Ch. 2,3,6.
- Alesina, Alberto, and Nouriel Roubini "Political Cycles in OECD Economies" *The Review of Economic Studies*, Vol. 59, No. 4 (Oct., 1992), pp. 663-688
- Akhmedov, Akhmed, & Ekaterina Zhuravskaya, 2004. "Opportunistic Political Cycles: Test in A Young Democracy Setting," *The Quarterly Journal of Economics*, MIT Press, vol. 119(4), pages 1301-1338, November.
- Drazen, Allan "The Political Business Cycle after 25 Years" *NBER Macroeconomics Annual*, Vol. 15, (2000), pp. 75-117

- Shi, Min & Svensson, Jakob, 2006. "Political budget cycles: Do they differ across countries and why?" *Journal of Public Economics*, Elsevier, vol. 90(89), 1367-1389.
- Johnson, Joseph M. & W. Mark Crain, 2004. "Effects of Term Limits on Fiscal Performance: Evidence from Democratic Nations," *Public Choice*, vol. 119(1\_2), 73-90, 04.
- 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
- Coviello, Decio, and Stefano Gagliarducci. 2017. "Tenure in Office and Public Procurement." *American Economic Journal: Economic Policy*, 9 (3): 59-105.
- Di Tella, Rafael, and Ernesto Schargrodsky. "The role of wages and auditing during a crackdown on corruption in the city of Buenos Aires." *The Journal of Law and Economics* 46, no. 1 (2003): 269-292.
- Maskin, Eric, and Jean Tirole. "The politician and the judge: Accountability in government." *American Economic Review* 94, no. 4 (2004): 1034-1054.
- Smart, Michael, and Daniel M. Sturm. "Term limits and electoral accountability." *Journal of public economics* 107 (2013): 93-102.

### **Special interest politics**

- Grossman, Gene M., and Elhanan Helpman (1994) "Protection for Sale." *American Economic Review* 84, 833-850
- Grossman, Gene M., and Elhanan Helpman (1996) "Electoral Competition and Special Interest Politics." *Review of Economic Studies* 63, 265-286.
- Alesina, Alberto and George-Marios Angeletos, 2005, "Fairness and Redistribution: US versus Europe," *American Economic Review*, 95(4), 960-980
- Alesina, Alberto & Rodrik, Dani, 1994. "Distributive Politics and Economic Growth," *The Quarterly Journal of Economics*, MIT Press, vol. 109(2), pages 465-90, May.
- Acemoglu, D. and J. Robinson, "Inefficient Redistribution," *American Political Science Review*, 2001.
- Coate, S. and S. Morris, "On the Form of Transfers to Special Interests," *Journal of Political Economy*, 1995.
- Acemoglu, D., "Why not a Political Coase Theorem? Social Conflict, Commitment, and Politics," *Journal of Comparative Economics*, 2003.
- Ansolabere, Figuerido and Snyder, 2003, "Why is there So little Money in US Politics", *Journal of Economic Perspectives*, vol. 17, n.1, pp. 105-130.
- Singhal Monica, *Special Interest Groups and the Allocation of Public Funds*, [Journal of Public Economics, Volume 92, Issues 3-4](#), April 2008, Pages 548-564

### **Information and Political Economy**

- McMillan, John, and Pablo Zoido. "How to subvert democracy: Montesinos in Peru." *Journal of Economic perspectives* 18, no. 4 (2004): 69-92.
- 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 (2011) "Media and Political Persuasion: Evidence from Russia" *American Economic Review*, 111(7): 3253-85.
- James M. Snyder and David Strömberg (2010) "Press Coverage and Political Accountability," *Journal of Political Economy*, University of Chicago Press, 118(2): 355-408

- 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.
- Qin, Bei, David Strömberg, and Yanhui Wu (2017) "Why Does China Allow Freer Social Media? Protests versus Surveillance and Propaganda." *Journal of Economic Perspectives*, 31(1): 117-40.
- Enikolopov, Ruben, Alexey Makarin, and Maria Petrova. 2020. "Social Media and Protest Participation: Evidence from Russia." *Econometrica*, 88(4): 1479-1514.
- Bond, Robert M., Christopher J. Fariss, Jason J. Jones, Adam D. I. Kramer, Cameron Marlow, Jaime E. Settle, and James H. Fowler. 2012. "A 61-Million-Person Experiment in Social Influence and Political Mobilization." *Nature*, 489(7415): 295-298.
- Allcott, Hunt, Luca Braghieri, Sarah Eichmeyer, and Matthew Gentzkow. (2020) "The Welfare Effects of Social Media." *American Economic Review*, 110(3):629-76.
- Zhuravskaya, Ekaterina, Ruben Enikolopov, and Maria Petrova. 2020. "Political Effects of the Internet and Social Media," *Annual Review of Economics*, 12: 415-438.

#### **Voters Behaviour: Rationality of choices**

- Manuel Bagues and Berta Esteve-Volart (2016) "Politicians' Luck of the Draw: Evidence from the Spanish Christmas Lottery," *Journal of Political Economy*, 124 (5): 1269-94.
- Manacorda, Marco, Edward Miguel, and Andrea Vigorito. (2011). "Government Transfers and Political Support", *American Economic Journal: Applied Economics*, 3(3), 1-28.
- Mullainathan, Sendhil and Ebonya Washington (2009). "Sticking with Your Vote: Cognitive Dissonance and Political Attitudes", *American Economic Journal: Applied Economics*, 1(1), 86-111.
- Madestam A., and D. Yanagizawa-Drott "Shaping the Nation: The Effect of Fourth of July on Political Preferences and Behavior in the United States" (2011), Working paper.
- Coate, Stephen, Michael Conlin, and Andrea Moro (2008). "The performance of pivotal-voter models in small-scale elections: Evidence from Texas liquor referenda", *Journal of Public Economics*, 92, 582-596.
- Gerber, Alan, Donald Green, and Christopher Larimer (2008). "Social Pressure and Voter Turnout: Evidence from a Large-Scale Field Experiment", *American Political Science Review*, 102(1), 33-48.
- Gerber, A. and D. Green, "The Effect of Canvassing, Telephone Calls and Direct Mail on Voter Turnout: A Field Experiment," (2000) *American Journal of Political Science*, 653-663.

#### **Vote buying, electoral fraud and voter intimidation**

- Collier, Paul and Pedro Vicente (2014), "Votes and Violence: Evidence from a Field Experiment in Nigeria", *Economic Journal*, 124(574), pp.F327-F355.
- Dekel, Eddie, Matthew O. Jackson, and Asher Wolinsky (2008), "Vote Buying: General Elections," *Journal of Political Economy* 116 (2), pp 351-380.
- Finan, Frederico and Laura Schecter (2012) "Vote-Buying and Reciprocity", *Econometrica*, 80(2): 863-881.
- Gonzalez-Ocantos, Ezequiel, Chad Kiewiet de Jonge, Carlos Meléndez, Javier Osorio, David W. Nickerson (2012) "Vote Buying and Social Desirability Bias: Experimental Evidence from Nicaragua." *American Journal of Political Science*, 56(1): 202-217.

- Hsieh, Chang-Tai, Edward Miguel, Daniel Ortega, and Francisco Rodriquez (2011), "The Price of Political Opposition: Evidence from Venezuela's *Maisanta*", *American Economic Journal: Applied Economics* 3(2): 196–214
- Nichter, Simeon (2008), "Vote Buying or Turnout Buying? Machine Politics and the Secret Ballot," *American Political Science Review*, 102 (1), 19-31.
- Vicente, Pedro (2014), "Is Vote Buying Effective? Evidence from a Field Experiment in West Africa?" *Economic Journal*, 124(574), F356-F387.
- Enikolopov, Ruben, Vasily Korovkin, Maria Petrova, Konstantin Sonin, and Alexei Zakharov (2013) "Electoral fraud in Russian parliamentary elections in December 2011: Evidence from a field experiment.", *Proceedings of the National Academy of Sciences* 110(2): 448-452
- Callen, Michael and James Long (2015) "Institutional corruption and election fraud: Evidence from a field experiment in Afghanistan." *American Economic Review* 105(1): 354-81.
- Card, David and Enrico Moretti (2007) "Does Voting Technology Affect Election Outcomes? Touch-Screen Voting and the 2004 Presidential Election," *Review of Economics and Statistics*, 89(4): pp. 660-673.
- Fujiwara, Thomas. (2015) "Voting technology, political responsiveness, and infant health: Evidence from Brazil." *Econometrica* 83(2): 423-464.

### **Populism**

- Sergei Guriev and Elias Papaioannou. "The Political Economy of Populism." Forthcoming, *Journal of Economic Literature*

### **State capacity**

- Besley, Timothy and Torsten Persson (2014) "The causes and consequences of development clusters: State capacity, peace and income", *Annual Review of Economics* 6, 927-948.
- Besley, Timothy and Torsten Persson (2010) "State capacity, conflict and development", *Econometrica* 78, 1-34.
- Besley, Timothy and Torsten Persson (2012) *Pillars of Prosperity: The Political Economics of Development Clusters*, Princeton U. Press
- Acemoglu, Daron (2005) "Politics and Economics in Weak and Strong States" *Journal of Monetary Economics*, 52, 1199-1226.

### **Corruption**

- Colonnelli, Emanuele, and Mounu Prem (2020) "Corruption and firms." Working paper..
- Fisman, Raymond, and Miguel Edward (2007) "Corruption, Norms, and Legal Enforcement: Evidence from Diplomatic Parking Tickets." *Journal of Political Economy* 11(6): 1020-048.
- Banerjee, Abhijit, Rema Hanna, and Sendhil Mullainathan (2012), "Corruption." *The Handbook of Organizational Economics*. Ed. Robert Gibbons and John Roberts. Princeton University Press, 1109-1147.
- 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), pp 1278-1308.
- 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) :11639-1676.

- Fisman, Ray (2001) "Estimating the Value of Political Connections," *American Economic Review*, 91: 1095-1102.
- Fisman, Ray and Wei, Shang-Jin (2004) "Tax Rates and Tax Evasion: Evidence from "Missing Imports" in China", *Journal of Political Economy*, 112(2): 471-500.
- Hsieh, Chang-Tai and and Enrico Moretti (2006), "Did Iraq Cheat the United Nations? Underpricing, Bribes, and the Oil for Food Program", *Quarterly Journal of Economics*, 121(4)
- Reinikka, Ritva and Svennson, Jacob (2004) "Local Capture: Evidence from a Central Government Transfer Program in Uganda," *Quarterly Journal of Economics*, 119: 679-705.
- Di Tella, Rafael and Ernesto Schargrotsky (2003) "The Role of Wages and Auditing During a Crackdown on Corruption in the City of Buenos Aires," *Journal of Law and Economics*, 46: 269-292
- Olken, Benjamin (2007). "Monitoring Corruption: Evidence from a Field Experiment in Indonesia," *Journal of Political Economy*, 115 (2): 200-249.

### **Description of course methodology**

Course is based on lectures that involve active participation of students in discussion.

### **Sample tasks for course evaluation**

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Write a 2-3 page referee report on the paper "Motivating Politicians: The Impacts of Monetary Incentives on Quality and Performance" by Claudio Ferraz and Frederico Finan.

### **Course materials**

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#### **Recommended Textbooks**

- Persson, Torsten, and Guido Tabellini (2000) *Political Economics*, MIT Press.
- Besley, Timothy (2006) *Principled Agents?: The Political Economy of Good Government*, Oxford U. Press.
- Besley, Timothy and Torsten Persson (2012) *Pillars of Prosperity: The Political Economics of Development Clusters*, Princeton U. Press

### **Academic integrity policy**

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