

Economic effects of political institutions

Course title - Intitulé du cours	Economic effects of political institutions
Level / Semester - Niveau /semestre	M2 / S1
School - Composante	Ecole d'Economie de Toulouse
Teacher - Enseignant responsable	BECHER MICHAEL
Other teacher(s) - Autre(s) enseignant(s)	
Other teacher(s) - Autre(s) enseignant(s)	
Other teacher(s) - Autre(s) enseignant(s)	
Other teacher(s) - Autre(s) enseignant(s)	
Other teacher(s) - Autre(s) enseignant(s)	
Lecture Hours - Volume Horaire CM	30
TA Hours - Volume horaire TD	
TP Hours - Volume horaire TP	
Course Language - Langue du cours	Anglais
TA and/or TP Language - Langue des TD et/ou TP	

Teaching staff contacts - Coordonnées de l'équipe pédagogique :

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Office hours: Tuesdays 3-4pm and by appointment

Course's Objectives - Objectifs du cours :

Political institutions are the formal or informal rules of politics. Some scholars and policymakers view political institutions as fundamental determinants of public policy, the quality of policymakers, economic development, or economic inequality. This view suggests that there is the potential for using political reform or institutional engineering as a tool to address long-standing economic problems. Others, however, are more skeptical. They may view political institutions mostly as consequences of economic conditions or congealed tastes of ruling elites rather than fundamental causes. In this course, we survey selected readings on the political economy of political institutions. We will examine potential economic effects of political institutions and explore their (economic) origins. Motivated by foundational theoretical models, we will take an empirical perspective and consider evidence based on contemporary and historical data in developing and developed countries. We start by studying economic effects of voting rights on redistribution and well-being. Then we introduce a simple principle agent framework to analyze the effects of term limits and wages on the selection and performance of politicians. After an introduction to theories of political parties and approaches to estimate partisan effects on policy, we consider in more detail variation in political institutions among at least partially democratic polities (e.g., direct democracy, gender quotas, electoral systems). We end with a discussion of whether economic factors can explain the rise of populism.

As a result of the course, you will be able to read and understand foundational theoretical and cutting-edge empirical analyses of political institutions and their economic consequences in scholarly journals

and to discuss the relevance of political institutions for the analysis of public policy; you will also be able to evaluate empirical studies on the topic and to develop your own research design to assess the economic effect of a particular set of institutions. By discussing applied empirical work, the course will also shed some light on the promise and pitfalls of causal inference methods for non-experimental political economy data (e.g., regression discontinuity designs based on close elections, population thresholds, or borders; diff-in-diff).

Prerequisites - Pré requis :

Econometrics/Program evaluation at level of Angrist/Piscke "Mostly harmless econometrics" ; basic microeconomics

Grading system - Modalités d'évaluation :

There are two written assignments. First, a response paper that discusses the required readings for a session. The goal of this critical review of the literature (maximum length: 5 double-spaced pages) is to give a brief analytical account of the common themes among the readings, note the main areas of disagreement and their possible sources, and give an assessment of the unresolved issues. The essay should be submitted via email by 20:00 on the day before the topic is discussed in class. Second, a final paper is due on January 6 by email. One option is to write up a research design aimed at investigating the economic effects of a political institution (details will be discussed in the course). As in an analysis plan for experimental research, the focus should be on justifying the research question, deriving observable implications from a theoretical framework, and proposing a research design to test the implications in a credible way. Another option is a small formal analysis. The topic should be cleared with the instructor in advance.

The final grade is a weighted average (25% response paper, 60% final paper, 15% course participation).

Bibliography/references - Bibliographie/références :

This is a seminar, not a lecture course. Students are expected to participate and carefully read the required readings on a topic (marked by*) prior to each session and be prepared to discuss them. The other readings are non-exhaustive suggestions for a deeper exploration of the topic.

Session planning - Planification des séances :

Preliminary course outline

Introduction (11/09/2019)

Topic 1. Voting rights, redistribution and well-being (11/09/2019 and 18/09/2019)

*Daron Acemoglu, Suresh Naidu, Pascual Restrepo, James. A. Robinson. 2014. "Democracy, Redistribution and Inequality." In: Handbook of Income Distribution, Volume 2, pp. 1885-1966. Available from <https://economics.mit.edu/files/10394>

*Thomas Fujiwara. 2015. "Voting Technology, Political Responsiveness, and Infant Health: Evidence From Brazil." *Econometrica* 83(2): 423-464.

*Cascio, Elizabeth U. and Ebonya Washington. 2013. "Valuing the Vote: The Redistribution of Voting Rights and State Funds Following the Voting Rights Act of 1965." *The Quarterly Journal of Economics* 129(1): 379-433.

Daron Acemoglu, Suresh Naidu, Pascual Restrepo, James. A. Robinson. 2019. "Democracy Does Cause Growth." *Journal of Political Economy* 127(1): 47-100.

Grant Miller. 2008. "Women's Suffrage, Political Responsiveness, and Child Survival in American History." *The Quarterly Journal of Economics* 123(3), 1287-1327.

Amartya Sen. 1999. "Democracy as a Universal Value." *Journal of Democracy* 10(3). Available from https://www.unicef.org/socialpolicy/files/Democracy_as_a_Universal_Value.pdf

Kudamatsu Masayuki. 2012. "Has Democratization Reduced Infant Mortality in Sub-Saharan Africa? Evidence from Micro Data." *Journal of the European Economic Association* 10(6): 1294-1317.

Lisa Blaydes and Mark Kayser. 2011. "Counting Calories: Democracy and Distribution in the Developing World." *International Studies Quarterly* 55 (4): 887-908.

Branco Milanovic. 2000. "The Median Voter Hypothesis, Income Inequality and Income Redistribution: An Empirical Test with the Required Data." *European Journal of Political Economy* 16(3).

Topic 2. Economic inequality and unequal representation in the new gilded age (25/09/2019)

*Larry Bartels. 2016. *Unequal Democracy: The Political Economy of the New Gilded Age*. Princeton: Princeton University Press. Chapter 8.

*Martin Gilens and Benjamin I. Page. 2014. "Testing Theories of American Politics: Elites, Interest Groups, and Average Citizens." *Perspectives on Politics* 12(3): 564-581.

*Felipe R. Campante. 2011. "Redistribution in a model of voting and campaign contributions." *Journal of Public Economics* 95(7-8): 646-656.

Michael Becher and Daniel Stegmueller. 2019. "Curbing Unequal Representation: The Impact of Labor Unions on Legislative Responsiveness in the US Congress." IAST Working Paper.

Eric Brunner, Stephen L. Ross, Stephen L. and Ebonya Washington. 2013. "Does Less Income Mean Less Representation?" *American Economic Journal: Economic Policy* 5(2): 53-76.

Lea S. Elsässer, Sebastian Hense and A. Schäfer. 2018. "Government of the people, by the elite, for the rich: Unequal responsiveness in an unlikely case." MPIfG Discussion Paper 18/5.

Robert S. Erikson. 2015. "Income inequality and policy responsiveness." *Annual Review of Political Science* 18: 11-29.

Martin Gilens. 2012. *Affluence and Influence: Economic Inequality and Political Power in America*. Princeton: Princeton University Press and Russel Sage Foundation.

Thomas Piketty. 2018. "Brahmin Left vs Merchant Right: Rising Inequality & the Changing Structure of Political Conflict." WID.world WORKING PAPER SERIES N° 2018/7.

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

Topic 3. Colonial history, institutions and development (09/10/2019)

*Daron Acemoglu, Simon Johnson and James A. Robinson. 2001. "The Colonial Origins of Comparative Development: An Empirical Investigation." *American Economic Review* 91 (5): 1369-1401.

*Melissa Dell. 2010. "The Persistent Effects of Peru's Mining Mita." *Econometrica*. 78 (6): 1863-1903.

*Melissa Dell and Benjamin Olken. 2018. "The Development Effects of the Extractive Colonial Economy: The Dutch Cultivation System in Java." *Review of Economic Studies*. Forthcoming.
<https://scholar.harvard.edu/dell/publications>

Lakshmi Iyer. 2010. "Direct vs. Indirect Colonial Rules in India: Long-Term Consequences." *Review of Economics and Statistics* 92(4): 693-713.

Abhijit V. Banerjee and Ester Duflo. 2014. "Under the Thumb of History? Political Institutions and the Scope for Action." *Annual Review of Economics* 6:951-971.

Enrico Spolaore and Romain Wacziarg. 2013. "How Deep Are the Roots of Economic Development?" *Journal of Economic Literature* 51(2).

Daron Acemoglu, Davide Cantoni, Simon Johnson and James A. Robinson. 2011. "The Consequences of Radical Reform: The French Revolution." *American Economic Review* 101: 3286-3307.

Abhijit Banerjee and Lakshmi Iyer. 2005. "History, Institutions, and Economic Performance: The Legacy of Colonial Land Tenure Systems in India." *American Economic Review* 95(4): 1190-1213.

Stelios Michalopoulos and Elias Papaioannou. 2013. "Pre-Colonial Ethnic Institutions and Contemporary African Development." *Econometrica* 81(1): 113-152.

Melissa Dell, Nathan Lane, and Pablo Querubin. 2018. "The Historical State, Local Collective Action, and Economic Development in Vietnam." *Econometrica* (Forthcoming).

Topic 4. Agency problems in democracies: the effect of term limits and money (16/10/2019)

*Besley, Timothy. 2006. *Principled Agents*. Oxford: Oxford Univ. Press. (Ch. 3)

*Ferraz, Claudio and Frederico Finan. 2011. "Electoral Accountability and Corruption: Evidence from the Audits of Local Governments." *American Economic Review* 101(4).

*Raymond Fisman, Nikolaj A. Harmon, Emir Kamenica, Inger Munk. 2015. "Labor Supply of Politicians." *Journal of the European Economic Association* 13(5) 871-905.

Gagliarducci, Stefano and Tommaso Nannicini. 2013. "Do better paid politicians perform better? Disentangling incentives from selection." *Journal of the European Economic Association* 11(2): 369-398.

James Alt, Ethan Bueno de Mesquita, and Shanna Rose. 2011. "Disentangling Accountability and Competence in Elections." *Journal of Politics* 73(3).

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

Scott Ashworth, Ethan Bueno de Mesquita and Amanda Friedenberg. 2017. "Accountability and Information in Elections." *American Economic Journal: Microeconomics* 9(2): 95-138.

Matthias Messner and Mattias K. Polborn. 2004. "Paying Politicians." *Journal of Public Economics*, 88, 2423-2445.

Scott Ashworth and Ethan Bueno de Mesquita. 2014. "Is Voter Competence Good for Voters? Information, Rationality, and Democratic Performance." *APSR* 108(3): 565-587.

Andrew C. Eggers, Ronny Freier, Veronica Grembi, and Tommaso Nannicini. 2018. "Regression Discontinuity Designs Based on Population Thresholds: Pitfalls and Solutions." *AJPS* 61 (1).

Topic 5. Political competition and public policy: programmatic or clientelistic (23/10/2019)

*Per Pettersson-Lidbom. 2008. "Do Parties Matter for Economic Outcomes? A Regression-Discontinuity Approach." *Journal of the European Economic Association* 6(5).

*Olle Folke. 2014. "Shades of Brown and Green: Party Effects in Proportional Election Systems." *Journal of the European Economic Association* 12(5).

*Stuti Khemani. 2015. "Buying Votes versus Supplying Public Services." *Journal of Development Economics* 117, 84-93.

Horacio Larreguy, John Marshall and Pablo Querebin. 2016. "Parties, Brokers and Voter Mobilization." *American Political Science Review* 110(1).

Ronny Freier and Christian Odendahl. 2015. "Do parties matter? Estimating the effect of political power in multi-party systems." *European Economic Review* 80: 310-328.

P. Vicente. 2014. "Is Vote Buying Effective? Evidence from a Field Experiment in West Africa." *Economic Journal* 124 (574) F356-F387.

Pranab Bardhan and Dilip Mookerjee. 2017. "Clientelistic Politics and Economic Development: An Overview." Working Paper available from <http://people.bu.edu/dilipm/wkpap/EDIclientsurvMay17Fin.pdf>

P. Keefer and R Vlaicu. 2008. "Democracy, Credibility and Clientelism." *Journal of Law, Economics and Organization* 24(2), 371-406.

Leonhard Wantchekon. 2003. "Clientelism and Voting Behavior." *World Politics* 55, 399-422.

David S. Lee, Enrico Moretti and Matthew J. Butler 2004. "Do Voters Affect or Elect Policies? Evidence from the U. S. House." *The Quarterly Journal of Economics*. 119(3): 807–859.

Andrew Eggers, Olle Folke, Anthony Fowler, Jens Hainmueller, Andrew B. Hall and James M Snyder. 2015. "On the Validity of the Regression Discontinuity Design for Estimating Electoral Effects: New Evidence from Over 40,000 Close Races." *American Journal of Political Science* 59(1): 259-274.

S. Stokes. 2005. "Perverse Accountability: A Formal Model of Machine Politics with Evidence from Argentina." *American Political Science Review* 99(3): 315-325.

P. Vicente and L. Wantchekon. 2009. "Clientelism and Vote-Buying: Lessons from Field Experiments in African Elections." *Oxford Review of Economic Policy*, 25(2), 292-305.

Topic 6. Gender quotas and public policy (06/11/2019)

*Timothy Besley, Olle Folke, Torsten Persson and Johanna Rickne. 2017. "Gender Quotas and the Crisis of the Mediocre Man: Theory and Evidence from Sweden." *American Economic Review* 107(8).

*Raghavendra Chattopadhyay and Esther Dufflo. 2004. "Women as Policy Makers: Evidence from a Randomized Policy Experiment in India." *Econometrica* 72(5): 1409-1443.

*Lori Beaman, Esther Duflo, Rohini Pande and Petia Topalova. 2012. "Female leadership raises aspirations and educational attainment for girls: A policy experiment in India." *Science* 335(6068): 582-586.

Andrew Beath, Christia Fotini and Ruben Enikolopov. 2013. "Empowering Women through Development Aid: Evidence from a Field Experiment in Afghanistan." *American Political Science Review* 107(3): 540-557.

Rohini Pande. 2003. "Can Mandated Political Representation Provide Disadvantaged Minorities Policy Influence? Theory and Evidence from India." *American Economic Review* 93(4): 1132-1151.

Lori Beaman, Raghavendra Chattopadhyay, Esther Duflo, Rohini Pande, and Petia Topalova. 2009. "Powerful Women: Does Exposure Reduce Bias?" *Quarterly Journal of Economics* 124(4):1497-1540.

Rikhil R. Bhavnani. 2009. "Do Electoral Quotas Work After They Are Withdrawn? Evidence from a natural experiment in India." *American Political Science Review* 103(1): 23-35.

Jane Mansbridge. 1999. "Should Blacks Represent Blacks and Women Represent Women? A Contingent 'Yes'." *The Journal of Politics* 61(3).

Topic 7. Direct democracy and resource allocation (13/11/2019)

*Björn Tyrefors Hinnerich and Per Pettersson-Lidbom. 2014. "Democracy, Redistribution, and Political Participation: Evidence from Sweden 1919-1938." *Econometrica* 82(3): 961-993.

*Beath, Andrew, Fotini Christia and Ruben Enikolopov. 2017. "Direct Democracy and Resource Allocation: Experimental Evidence from Afghanistan." *Journal of Development Economics* 124: 199-213.

*Funk, Patricia and Christina Gathmann. 2011. "Does Direct Democracy Reduce the Size of Government? New Evidence from Historical Data, 1890-2000." *The Economic Journal* 121(557): 1252-1280.

Olken, Benjamin A. 2010. "Direct Democracy and Local Public Goods: Evidence from a Field Experiment in Indonesia." *American Political Science Review* 104(2): 243-267.

John G. Matsusaka and Nolan McCarty. 2001. "Political Resource Allocation: Benefits and Costs of Voter Initiatives." *Journal of Law, Economics and Organization* 17(2): 413-448.

Tim Besley and Anne Case. 2003. "Political Institutions and Policy Outcomes: Evidence from the United States." *Journal of Economic Literature* 41(1):7-73.

Blume, Lorenz, Jens Müller and Stefan Voigt. 2009. "The Economic Effects of Direct democracy—A First Global Assessment." *Public Choice* 140: 431-461.

Matsusaka, John G. 2005. "Direct Democracy Works." *Journal of Economic Perspectives* 19(2): 185-206.

Topic 8. Economic effects (and origins) of electoral systems (20/11/2019)

*Persson, Torsten and Guido Tabellini. 1999. "The Size and Scope of Government: Comparative Politics with Rational Politicians." *European Economic Review* 43(4-6): 699 -735.

*Torben Iversen 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.

*Funk, Patricia and Christina Gathmann. 2013. "How do Electoral Rules Affect Fiscal Policy? Evidence From Cantonal Parliaments, 1890-2000." *Journal of the European Economic Association* 11(5):1178-1203.

*Gagliarducci, Stefano, Tommaso Nannicini and Paolo Naticchioni. 2011. "Electoral Rules and Politicians Behavior: A Micro Test." *American Economic Journal: Economic Policy* 3(3): 144-74.

Persson, Torsten and Guido Tabellini. 2004. "Constitutional Rules and Fiscal Policy Outcomes." *American Economic Review* 94(1): 25-45.

Persson, Torsten and Guido Tabellini. 2003. *The Economic Effects of Constitutions*. Cambridge, Mass.; London: MIT Press.

Ticchi, Davide and Andrea Vindigni. 2010. "Endogenous Constitutions." *Economic Journal* 120(543): 1-39.

Rogowski, Ronald and Mark Andreas Kayser. 2002. "Majoritarian Electoral Systems and Consumer Power: Price-Level Evidence from the OECD Countries." *American Journal of Political Science* 46 (3): 526-539.

Acemoglu, Daron. 2005. "Constitutions, Politics, and Economics: A Review Essay on Persson and Tabellini's *The Economic Effects of Constitutions*." *Journal of Economic Literature* 43(4): 1025-1048.

Topic 9. Democracy and the quality of politicians (27/11/2019)

*Ernesto Dal Bó, Frederico Finan, Olle Folke, Torsten Persson, Johanna Rickne. 2017. "Who Becomes a Politician?" *The Quarterly Journal of Economics* 132(4): 1877–1914. (Previous version: NBER Working Paper No. 23120)

*Andrew Beath, Fotini Christia, Georgy Egorov and Ruben Enikolopov. 2016. "Electoral Rules and Political Selection: Theory and Evidence from a Field Experiment in Afghanistan." *Review of Economic Studies* 83(3): 932-968.

* Vincenzo Galasso and Tommaso Nannicini. 2011. "Competing on Good Politicians." *American Political Science Review*. 105(1): 79-99.

Timothy Besley and Reynal-Querol, Marta. 2011. "Do Democracies Select More Educated Leaders?" *American Political Science Review* 105 (03): 552-566.

Peter Buisseret and Carlo Prato. 2016. "Electoral Control and the Human Capital of Politicians." *Games and Economic Behavior* 98: 34-55.

Nicholas Carnes and Noam Lupu. 2016. "What Good is a College Degree? Education and Leader Quality Reconsidered." *Journal of Politics* 78(1): 35-49.

Timothy Besley, Jose G. Montalvo and Marta Reynal-Querol. 2011. "Do Educated Leaders Matter?" *The Economic Journal* 121(554): F205-227

Acemoglu, Daron, Georgy Egorov, and Konstantin Sonin. "Political Selection and the Persistence of Bad Governments." *The Quarterly Journal of Economics* 125(4): 1511-575.

Timothy Besley. 2005. "Political Selection." *Journal of Economic Perspectives* 19(3): 43-60.

Benjamin F. Jones and Benjamin A. Olken. 2005. "Do Leaders Matter? National Leadership and Growth Since World War II." *The Quarterly Journal of Economics* 120(3): 835-864.

Torsten Persson, Timothy Besley and Marta Reynal-Querol. 2016. "Resilient Leaders and Institutional Reform: Theory and Evidence." *Economica* 83: 584-623.

Topic 10. Political economy accounts of populism: is it just about the (global) economy?
(4/12/2019)

*Dani Rodrik. 2018. "Populism and the Economics of Globalization." *Journal of International Business Policy*.

*Italo Colantone and Piero Stanig. 2018. "Global Competition and Brexit." *American Political Science Review*, 112(2): 201-218.

*Ernesto Dal Bó, Frederico Finan, Olle Folke, Torsten Persson, Johanna Rickne "Economic Losers and Political Winners: Sweden's Radical Right", <https://sites.google.com/site/ricknejohanna/work-in-progress>

Luigi Guiso, Helio Herrera, Massimo Morelli and Tommaso Sonno. 2018. "Populism: Demand and Supply." CEPR Discussion Paper NO. DP11871, revised December 2018.

Jan-Werner Müller. 2016. *What is Populism?* University of Pennsylvania Press.

Pippa Norris and Ronald Inglehart. 2018. *Cultural Backlash: Trump, Brexit, and the Rise of Populism*. New York: Cambridge Univ. Press.

David Autor, David Dorn, Gordon Hanson and Kaveh Majlesi. 2017. "Importing Political Polarization? The Electoral Consequences of Rising Trade Exposure." MIT Working Paper, April 2016 (rev December 2017). Available from <https://economics.mit.edu/files/11665>

David H. Autor, David Dorn, and Gordon H. Hanson. 2016. "The China Shock: Learning from Labor Market Adjustment to Large Changes in Trade." *Annual Review of Economics*, 2016, 8, 205–240.

Raymond Duch and Randy Stevenson. 2008. *The Economic Vote: How Political and Economic Institutions Condition Election Results*. Cambridge University Press.