

## Economic Effects and Political Sociology of Institutions

Course title – Intitulé du cours	Economic Effects and Political Sociology of Institutions
Level / Semester – Niveau /semestre	M2 / S1
School – Composante	Ecole d'Economie de Toulouse
Teacher – Enseignant responsable	Stéphane Straub
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:

*Stéphane Straub*

Email: [stephane.straub@tse-fr.eu](mailto:stephane.straub@tse-fr.eu)

Office: T.355

Office hours: by appointment

### Course Objectives – Objectifs du cours:

This course serves as an introduction to a number of topics in contemporary political economy. As part of the course, students will develop critical understanding of pressing public policy issues, such as: Do institutions have long-run economic effects? What are common manifestations of flawed governance and corruption in terms of human capital incentives, economic and political outcomes? What are the implications of political connections and revolving doors across different economic sectors, including lobbying, finance and public procurement among others? Which policies and institutional remedies may be effective in addressing these problems?

These and other questions are examined through the lens of rich qualitative and quantitative evidence from contemporary research in economics, political science, and sociology. A major component of the course is critical evaluation of various methodological approaches and their applicability in each particular setting. These approaches include theoretical modeling, causal inference using observational data (difference-in-differences, the synthetic control method, meta-analysis), and field experiments. The course also emphasizes the importance of measurement issues that may arise in practice and discusses interpretability of research findings. Upon completion, students will acquire both the theoretical knowledge and practical skills that are necessary for rigorous policy evaluation.

### Prerequisites – Pré requis:

Program evaluation methods at the level of *Mostly Harmless Econometrics* (2008) by Angrist and Pischke. Basic microeconomics.

### **Practical information about the sessions – Modalités pratiques de gestion du cours:**

While this is a lecture course, students are expected to thoroughly read all the mandatory readings (marked by a star) prior to each session and actively participate in class. Readings with no star attached are optional. Laptops are accepted in the class.

### **Grading system – Modalités d'évaluation:**

There are two written assignments. The first one is a response paper that discusses the assigned readings for one of the sessions (up to 5 double-spaced pages). This exercise requires students to provide a brief analytical account of the common theme(s) among the readings, point out the main areas of disagreement and their possible sources, and give an assessment of the unresolved issues. The paper should be submitted by email at 6pm on the day before the respective session.

The second assignment is a final paper that is due at 6pm on December 10. This exercise consists of a research design aimed at investigating the economic effects of a political institution (details to be discussed in class). The paper should justify the research question, derive observable implications from a theoretical framework, propose a valid empirical test, and describe the implementation logistics (i.e., how the data will be collected, stored, and analyzed). The topic should be approved by the instructor beforehand.

All written assignments should be submitted via email. Late assignments will be discounted by 50% if they are less than a week late. No home assignment will be accepted more than 1 week after the due date. The final grade is a weighted average: 25% response paper, 60% final paper, 15% class participation.

### **Distance learning – Enseignement à distance :**

Classes will be held in person until further notice.

The instructor will be available for online and face-to-face office hours (please send an email to make an appointment).

### **Confidentiality – Confidentialité :**

If classes are to be held online, recording Zoom sessions in any form, including taking screenshots, is prohibited. Redistributing any class materials (such as articles and slides uploaded on Moodle) is also prohibited.

### **Bibliography/references – Bibliographie/références :**

All required articles and chapters will become available on Moodle.

### **Session planning – Planification des séances:**

*Topic 1: Long-term Effects of Institutions (Week of September 12)*

Do institutions cause long-term economic development? Why so? What are the channels of persistence?

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

- Acemoglu, Daron, Johnson, Simon and Robinson, James. 2002. "Reversal of Fortune: Geography and Institutions in the Making of the Modern World Income Distribution." *Quarterly Journal of Economics*, 107:1231-1294.
- \* Dell, Melissa. 2010. "The Persistent Effects of Peru's Mining Mita." *Econometrica*, 78(6):1863-1903.
- Engerman, S., and K. Sokoloff (1997): "Factors Endowments, Institutions, and Differential Paths of Growth Among New World Economies," in *How Latin American Fell Behind*, ed. by S. Haber. Stanford: Stanford University Press, 260–304.
- North, Douglass (1991). "Institutions." *Journal of Economic Perspectives*. Vol 5(1): 97-112.

*Topic 2: Long-term Effects of Institutions 2 (Week of September 19)*

Focus on Africa and the role of pre-colonial and colonial determinants of contemporary outcomes.

- \* Nunn, Nathan and Wantchekon, Leonard. 2011. "The Slave Trade and the Origins of Mistrust in Africa." *American Economic Review*, 101 (7): 3221-3252.
- \* Marcella Alsan, 2012, "The Effect of the TseTse Fly on African Development", *American Economic Review*.
- Stelios Michalopoulos and Elias Papaioannou, "Pre-colonial Ethnic Institutions and Contemporary African Development", *Econometrica*, 2013, 81(1): 113–152.

*Topic 3: Rents and misallocation of talents (Week of September 26)*

How do misaligned political incentives translate into misallocation of talent across sectors and activities and economic underperformance?

- \* Baumol, William J. 1990. "Entrepreneurship: Productive, Unproductive, and Destructive." *Journal of Political Economy*, 98(5): 893–921.
- \* Murphy, Kevin M., Andrei Shleifer and Robert W. Vishny. 1991. "The Allocation of Talent: Implication for Growth." *Quarterly Journal of Economics*, 106(2): 503–530.
- Acemoglu, Daron. 1995. "Reward Structures and the Allocation of Talent." *European Economic Review* 39, pp. 17-33.
- Krueger, A. (1974). The political economy of the rent seeking society. *American Economic Review*, 64, 291-303.
- Auriol, Emmanuelle, Thomas Flochel and Stéphane Straub, 2016, "Public Procurement and Rent-Seeking: The Case of Paraguay", *World Development*, 77, 395–407.
- Raghuram G. Rajan, 2009. "Rent Preservation and the Persistence of Underdevelopment," *American Economic Journal: Macroeconomics*, vol. 1(1), pages 178-218, January.

*Topic 4: Political effects of corruption (Week of October 3)*

How does information on corruption affect electoral outcomes, and how does this affect incentives for corruption in the first place?

- \* John McMillan and Pablo Zoido, 2004, "How to Subvert Democracy: Montesinos in Peru", *Journal of Economic Perspectives*, Volume 18, Number 4, Pages 69-92.
- \* Ferraz, Claudio and Frederico Finan. 2008. "Exposing Corrupt Politicians: The Effect of Brazil's Publicly Released Audits on Electoral Outcomes." *Quarterly Journal of Economics*. 123(2): 703–745.

- Frederico Finan and Claudio Ferraz, “Electoral Accountability and Corruption in Local Governments: Evidence from Audit Reports”, *American Economic Review*, 2011, 101: 1274-1311.
- Olken, Benjamin and Pande, Rohini, “Corruption in Developing Countries”. *Annual Review of Economics* 4, pp. 479-505, July 2012.

*Topic 5: Democracy and corruption. Experimental evidence. (Week of October 10)*

Is electoral democracy a remedy to corruption? How does this depend on electoral institutions and voters’ information on politicians?

- \* Chong, A. , De La O, A.L. , Karlan, D. , Wantchekon, L. , 2014. Does corruption information inspire the fight or quash the hope? A field experiment in Mexico on voter turnout, choice, and party identification. *J. Polit.* 77 (1), 55–71 .
- \* Rumilda Cañete, Pepita Miquel-Florensa, Stéphane Straub and Karine Van Der Straeten, “Voting Corrupt Politicians Out of Office? Evidence from a Survey Experiment in Paraguay,” 2020, *Journal of Economic Behavior and Organization*, 179, p. 223-239
- Stephenson, M.C. , 2015. Corruption and democratic institutions: a review and synthesis. In: Rose-Ackerman, S., Lagunes, P. (Eds.), *Greed, Corruption, and the Modern State: Essays in Political Economy*. Edward Elgar Publishing, pp. 92–133.
- Thad Dunning and 27 other collaborators. 2019. Voter information campaigns and political accountability: Cumulative findings from a pre-registered meta-analysis of coordinated trials. *Science Advances*, 5(7).
- Eric Arias, Horacio Larreguy, John Marshall, and Pablo Querubin. Priors rule: When do malfeasance revelations help and hurt incumbent parties? July 2022. *Journal of the European Economic Association*, 20(4):1433-1477.

*Topic 6: Economic effects of corruption (Week of October 17)*

- Rose-Ackerman, Susan and Bonnie J. Palifka. 2016. *Corruption and Government: Causes, Consequences, and Reform*. Cambridge: Cambridge University Press.
- Mauro, P. (1995). “Corruption and Growth.” *The Quarterly Journal of Economics*, 110(3): 681-712.
- \* Emanuele Colonnelli and Mounu Prem "Corruption and Firms," *Review of Economic Studies*, 2022, 89(2), 695-732.
- \* Olken, Benjamin. 2007. “Monitoring Corruption: Evidence from a Field Experiment in Indonesia.” *Journal of Political Economy* 115(2): 200-249.
- Bertrand, Marianne, Simeon Djankov, Rema Hanna and Sendhil Mullainathan. 2007. “Obtaining a Driving License in India: An Experimental Approach to Studying Corruption.” *The Quarterly Journal of Economics*, 122(4): 1639-1676.
- Ritva Reinikka & Jakob Svensson “Fighting corruption to improve schooling: Evidence from a newspaper campaign in Uganda”, *Journal of the European Economic Association*, 2005, 3 (2-3): 259-267.

*Topic 7: Vote-buying and Political patronage ((Week of October 24)*

- \* Laura Schecheter and Frederico Finan, "Vote-Buying and Reciprocity," 2012. *Econometrica*, 80(2): 863-881.
- \* Emanuele Colonnelli, Mounu Prem and Edoardo Teso. "Patronage and Selection in Public Sector Organizations," *American Economic Review*, 2020, 110(10), 3071-99.

- C. Cruz, J. Labonne and P. Querubin, "Politician Family Networks and Electoral Outcomes: Evidence from the Philippines" *American Economic Review*, 2017, Vol. 107(10): 3006-37.
- Horacio Larreguy, John Marshall and Pablo Querubin. "Parties, Brokers and Voter Mobilization: How Turnout Buying Depends Upon the Party's Capacity to Monitor Brokers." 2016. *American Political Science Review*, 110(1):160-179.
- Xu, Guo. 2018. "The Costs of Patronage: Evidence from the British Empire," *American Economic Review* 108(11): 3170-3198.
- Vicente, Pedro C. 2014. "Is Vote Buying Effective? Evidence from a Field Experiment in West Africa," *The Economic Journal*, 124 (574): 356–387.

*Topic 8: Political connections ((Week of November 7)*

- Roberts, B. E. 1990. A dead senator tells no lies: Seniority and the distribution of federal benefits. *American Journal of Political Science* 34(1): 31–58.
- Fisman, Raymond. 2001. "Estimating the Value of Political Connections." *American Economic Review*, 91(4): 1095-1102.
- \* Fisman, Raymond and Yongxiang Wang, 2015. "The Mortality Cost of Political Connections", forthcoming, *Review of Economic Studies*, 82, 1346–1382.
- \* Chen, Ting, and James Kai-sing Kung. 2018. "Busting the 'Princelings': The Campaign Against Corruption in China's Primary Land Market." *The Quarterly Journal of Economics* 134 (1): 185–226.
- Hsieh, Chang-Tai, Edward Miguel, Daniel Ortega and Francisco Rodriguez. 2008. "The Price of Political Opposition: Evidence from Venezuela's Maisanta." *American Economic Journal: Applied Economics*.
- Khwaja, Asim I. and Atif Mian. 2005. "Do lenders favor politically connected firms? Rent provision in an emerging financial market." *Quarterly Journal of Economics*, 120 (4): 1371-1411.
- Jia, Ruixue, Masayuki Kudamatsu, and David Seim, "Political Selection in China: The Complementary Roles of Connections and Performance," *Journal of the European Economic Association*, 13 (2015), 631–668.

*Topic 9: Politicians' selection and their stakes in political connections ((Week of November 14)*

Who becomes a politician and what's in it for politicians who peddle benefits?

- \* Fisman, Raymond, Florian Schulz and Vikrant Vig, 2014 "The Private Returns to Public Office", *Journal of Political Economy*, Vol. 122, No. 4, pp. 806-862
- Eggers, A., and Hainmueller. J., 2009. "MPs for Sale? Estimating Returns to Office in Post-war British Politics." *American Political Science Review*, 103(4). 513-33.
- \* Brollo, F., Nannicini, T., Perotti, R., Tabellini, G., 2013. "The Political Resource Curse." *American Economic Review*, 103 (5), pp. 1759-96.
- Gagliarducci, Stefano and Tommaso Nannicini, 2013, Do Better Paid Politicians Perform Better? Disentangling Incentives from Selection, *Journal of the European Economic Association*. Volume11, Issue2, Pages 369-398.

*Topic 10: Revolving doors ((Week of November 21)*

- \* Blanes i Vidal, J., Draca, M., and Fons-Rosen, C., 2012. "Revolving Door Lobbyists." *American Economic Review*, 102 (7), 3731-3748.

- Bertrand, M., Bombardini, M., and Trebbi, F., 2014. "Is It Whom You Know or What You Know? An Empirical Assessment of the Lobbying Process." *American Economic Review*, 104(12), 3885-3920.
- Lucca, D., Seru, A., and Trebbi, F., 2014. "The Revolving Door and Worker Flows in Banking Regulation." *Journal of Monetary Economics*, 65, 17-32.
- \* Goldman, E., Rocholl, J., and So, J., 2013. "Politically Connected Boards of Directors and the Allocation of Procurement Contracts." *Review of Finance*, 17 (5), 1617-1648.
- Klenio Barbosa and Stephane Straub "The Value of Revolving Doors in Public Procurement", Online Appendix. TSE Working Paper n° 17-873. 2020.