

# Course on "Political and Institutional Economics"

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February 17, 2017

## **Abstract**

This course provides a graduate-level introduction to Political and Institutional Economics, covering electoral competition, the economic effects of institutions, the determinants of democracy, and the causes and consequences of conflict. After providing a solid theoretical background to the students, we shall study cutting-edge empirical articles on these topics. Part of these recent influential articles will be discussed in student presentations.

# 1 GENERAL ORGANIZATION

**GOALS:** The primary goal of the course is to familiarize the participants with this increasingly important subfield of economics and to provide an overview on what cutting-edge research is currently carried out on these topics. A secondary goal of the course is also to foster the applied econometrics and oral presentation skills of the students.

**CREDITS:** This is a 6-credit course.

**EXAMINATION:** There is a written exam (counts as two-thirds of the final grade) and an oral presentation on a recent cutting-edge article (counts as one-third of the final grade). The exam contains both multiple-choice questions and longer questions.

**PROFESSORS:** Esther Mirjam Girsberger ([esthermirjam.girsberger@unil.ch](mailto:esthermirjam.girsberger@unil.ch)) and Alessandro Saia ([alessandro.saia@unil.ch](mailto:alessandro.saia@unil.ch)).

**ASSISTANT:** Ulrich Eberle ([Ulrich.Eberle@unil.ch](mailto:Ulrich.Eberle@unil.ch), Internef 554) holds office hours to coach students for their presentations and answer general questions on the course, the problem sets, and the course website. Drop him an email to fix a time to meet.

**COURSE TIME AND VENUE:** Wednesdays, from 13:15 - 17:00 in Anthropole/2102.

**COURSE WEBSITE:** On <http://moodle2.unil.ch/>, go to "Political and Institutional Economics 2017". The course website contains all general information, all the slides, all relevant articles, and the problem sets.

## SECTION 1: THE BIG PICTURE: ORIGINS OF THE STATE

- Market failures and the efficiency arguments for the state
- Redistribution arguments for the state
- State failure and bad politicians

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\*Mueller, Dennis, 2003, *Public Choice III*, Cambridge: Cambridge University Press.

Olson, Mancur, 1965, *The Logic of Collective Action*, Cambridge MA: Harvard University Press.

Persson, Torsten, and Guido Tabellini, 2002, *Political Economics: Explaining Economic Policy*, Cambridge MA: MIT Press.

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Blattman, Christopher, Alexandra C. Hartman and Robert A. Blair, 2014, "How to Promote Order and Property Rights under Weak Rule of Law? An Experiment in Changing Dispute Resolution Behavior through Community Education", *American Political Science Review*, 108(1): 100-120.

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Durante, Ruben, Louis Putterman and Joel van der Weele, 2014, "Preferences for Redistribution and Perception of Fairness: An Experimental Study", *Journal of the European Economic Association*, 12(4): 1059-1086.

Pinotti, Paolo, 2012, "Trust, Regulation, and Market Failures", *The Review of Economics and Statistics*, 94(3): 650-658.

## SECTION 2A: ELECTORAL COMPETITION AND PUBLIC CHOICE: THEORY

- Downsian electoral competition and Median Voter Theorem
- Probabilistic voting
- Lobbying, rent-seeking and special interest policy
- Bureaucracy
- Partisan politics: "citizen candidate" and "legislative bargaining"

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- Drazen, Allan, 2002, *Political Economy in Macroeconomics*, Princeton NJ: Princeton University Press.
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- Hodler, Roland, Simon Loertscher, and Dominic Rohner, 2010, "Inefficient policies and incumbency advantage", *Journal of Public Economics*, 94, 761-767.
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- Wittman, Donald, 2006, *Economic Foundations of Law and Organization*, Cambridge: Cambridge University Press.

## SECTION 2B: ELECTORAL COMPETITION AND PUBLIC CHOICE: EMPIRICS

- Incumbency advantage
- Direct democracy
- Political dynasties
- Identity of leaders
- Information, voting and public policies
- Corruption

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- Besley, Timothy, Torsten Persson and Daniel Sturm, 2010, "Political Competition, Policy and Growth: Theory and Evidence from the United States", *Review of Economic Studies*, 77, 1329-1352.
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- Brollo, Fernanda, Tommaso Nannicini, Roberto Perotti, and Guido Tabellini, 2013, "The Political Resource Curse", *The American Economic Review*, 103(5): 1759-1796.

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

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Durante, Ruben, Paolo Pinotti and Andrea Tesei, July 2015, "The Political Legacy of Entertainment TV", mimeo.

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

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.

Gerber, Alan S., Dean Karlan, and Daniel Bergan, 2009, "Does the Media Matter? A Field Experiment Measuring the Effect of Newspapers on Voting Behavior and Political Opinions", *American Economic Journal: Applied Economics*, 1, 35-52.

Hainmueller, Jens, and Dominik Hangartner, 2013, "Who Gets a Swiss Passport? A Natural Experiment in Immigration Discrimination", *American Political Science Review*, 107, 159-187.

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Martinez-Bravo, Monica, 2014, "The Role of Local Officials in New Democracies: Evidence from Indonesia", *American Economic Review*, 104(4): 1244-1287.

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## SECTION 3A: ECONOMIC DETERMINANTS AND EFFECTS OF INSTITUTIONS AND GOVERNANCE: THEORY

- Inequality and institution building
- Determinants of state capacity
- Institutions and development

### REFERENCES:

- \*Acemoglu, Daron and James A. Robinson, 2006, *Economic Origins of Dictatorship and Democracy*, Cambridge MA: Cambridge University Press.
- \*Besley, Timothy, and Torsten Persson, 2011, *Pillars of Prosperity*, Princeton NJ: Princeton University Press.
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## SECTION 3B: ECONOMIC DETERMINANTS AND EFFECTS OF INSTITUTIONS AND GOVERNANCE: EMPIRICS

- Historical origin of institutions and path dependency
- Ethnic diversity and institutions
- Inequality and institutions
- Institutions and development

### REFERENCES:

- \*Acemoglu, Daron, Simon Johnson, and James A. Robinson, 2001, "The Colonial Origins of Comparative Development: An Empirical Investigation", *American Economic Review*, 91, 1369-1401.
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Long-term persistence (Guiso, Sapienza, Zingales; forthcoming JEEA)

## SECTION 4A: ECONOMIC CAUSES AND CONSEQUENCES OF CONFLICT: THEORY

- War inefficiency puzzle
- Contest success functions and paradox of power
- Political bias and war
- Ethnic conflict
- General equilibrium model of conflict
- State capacity and conflict

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## SECTION 4B: ECONOMIC CAUSES AND CONSEQUENCES OF CONFLICT: EMPIRICS

- Ethnic diversity and conflict
- Natural resources and conflict
- Political institutions and conflict
- Economic and political consequences of conflict

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