

Economics 221/PoliSci 460B: Political Economy II
Conflict, Non-Democratic Politics, and Politics of Development
Stanford University, Fall 2018
MW 9:30-11:20am, Landau 206

Syllabus version: January 16, 2019

NOTE: Preliminary and very likely to be revised.

Gabriel Carroll
gdc@stanford.edu
Landau 245
Office hours by appointment

James Fearon
jfearon@stanford.edu
Encina West 413
Office hours by appointment

1 Overview

This is a graduate-level survey course in political economy. It is the second course in the Political Economy sequence that started in the Fall Quarter with Econ 220/PolSci 460A, taught by Matthew Gentzkow and Andrew Hall. Although ideally students will have taken the Fall Quarter course, this course can be taken as a “stand alone” with permission of the instructors.

The Fall Quarter course focused on the political economy of democracies, covering work on electoral politics in countries where the presumption is that elections are basically fair. This course focuses mainly on the political economy of **non**-democracies, on transitions to democracy, democratic stability and instability, and economic implications. We include some discussion of work on the political economy of armed conflict, which is more relevant for these issues than in contexts where fair elections can be assumed.

This is principally a theory-oriented class, although almost all weeks will have some empirical papers assigned.

Prerequisite The class will assume familiarity with game theory at the level of ECON 203. No specific background in political economy is needed. Some topics build on knowledge in basic micro- and macroeconomics (at the 1st year economics PhD level), but such background will not be systematically required to understand the course.

Materials There is no textbook; we use original papers.

Class structure In each class meeting we will focus on **two** key papers. Students are expected to have read these papers carefully and to have made a serious attempt to understand models, broader arguments, evidence advanced, and author claims about

relationship of the paper to prior work. Re-reading will often be a good idea. The syllabus also lists related papers of interest in the same vein as the two discussion papers.

The class format will be discussion, but combined with two sorts of presentations. First, students will sign up to present articles each week, with each student presenting a total of probably three articles over the quarter. (See more details under “requirements and grading” below.) These presentations will be short, intended to focus on the core arguments and ideas as a prelude to discussion.

Second, the instructors will in some classes present overviews of classes of models, empirical background, or prior literature relevant to understanding and evaluating the focus papers of the day.

Requirements and grading Evaluation will be based on (1) participation and effort shown for class discussion, including the presentations, and (2) a 5–10 page proposal for a research project involving a political economy model, including discussion of relation to the literature. Grading will place two-thirds weight on (1) and one-third on (2).

Presentations should be no more than 20 minutes long. They should be reasonably organized: speakers should have practiced the entire presentation aloud at home, at least once, before presenting in class, and make sure it fits in the time allotted. Presentations can use slides, or handouts, but do not need to. No need to dwell on details of notation; the key is to get across the main ideas.

More detailed instructions on the research proposal will appear later.

2 Reading List and Agenda

We have listed here the two focus papers for each class meeting (starred), along with some other relevant “classics” and more recent articles on the topic.

This reading list is a more-or-less complete version. We will continue to make changes before the quarter starts, and may make minor revisions during the quarter. For example, we will get more definite about starred papers for later weeks as we go along.

(1/7) Course introduction.

(1/9) Institutions and development, 1: North and Weingast and after.

- (a) *Timothy Besley and Maitreesh Ghatak. Property rights and economic development. In *Handbook of development economics*, volume 5, pages 4525–4595. Elsevier, 2010
- (b) *Barry R. Weingast. Political foundations of democracy and the rule of law. *American Political Science Review*, 91:245–63, June 1997
- (c) Douglas C. North and Barry R. Weingast. Constitutions and commitment: The evolution of institutions governing public choice in seventeenth century England. *The Journal of Economic History*, 49(4):803–832, December 1989

- (d) Mancur Olson. Dictatorship, development, and democracy. *American Political Science Review*, 87(3):567–576, September 1993

(1/14) Institutions and development, 2:

- (a) *Daron Acemoglu and James A Robinson. Economic backwardness in political perspective. *American Political Science Review*, 100(1):115–131, 2006
- (b) *Rául Sánchez de la Sierra. On the origins of the state: Stationary bandits and taxation in eastern congo. Unpublished ms., 2017
- (c) Daron Acemoglu. Politics and economics in weak and strong states. *Journal of monetary Economics*, 52(7):1199–1226, 2005
- (d) Daron Acemoglu, Mikhail Golosov, and Aleh Tsyvinski. Power fluctuations and political economy. *Journal of Economic Theory*, 146(3):1009–1041, 2011
- (e) Daron Acemoglu and James A Robinson. Persistence of power, elites, and institutions. *American Economic Review*, 98(1):267–93, 2008
- (f) Dani Rodrik, Arvind Subramanian, and Francesco Trebbi. Institutions rule: the primacy of institutions over geography and integration in economic development. *Journal of economic growth*, 9(2):131–165, 2004

(1/16) Flawed democracy 1: Clientelism

- (a) *Susan C Stokes. Perverse accountability: A formal model of machine politics with evidence from argentina. *American Political Science Review*, 99(3):315–325, 2005
- (b) *James A Robinson and Thierry Verdier. The political economy of clientelism. *The Scandinavian Journal of Economics*, 115(2):260–291, 2013
- (c) Simeon Nichter. Vote buying or turnout buying? machine politics and the secret ballot. *American political science review*, 102(1):19–31, 2008
- (d) Horacio Larreguy, John Marshall, and Pablo Querubin. Parties, brokers, and voter mobilization: How turnout buying depends upon the party’s capacity to monitor brokers. *American Political Science Review*, 110(1):160–179, 2016
- (e) Jordan Gans-Morse, Sebastian Mazzuca, and Simeon Nichter. Varieties of clientelism: Machine politics during elections. *American Journal of Political Science*, 58(2):415–432, 2014
- (f) Jean-Marie Baland and James A Robinson. Land and power: Theory and evidence from chile. *American Economic Review*, 98(5):1737–65, 2008
- (g) Frederico Finan and Laura Schechter. Vote-buying and reciprocity. *Econometrica*, 80(2):863–881, 2012
- (h) Siwan Anderson, Patrick Francois, and Ashok Kotwal. Clientelism in indian villages. *American Economic Review*, 105(6):1780–1816, 2015

(1/21) MLK Day. No class.

(1/23) Flawed democracy 2: Agency failures.

- (a) *Gerard Padró i Miquel. The control of politicians in divided societies: the politics of fear. *The Review of Economic Studies*, 74(4):1259–1274, 2007
- (b) *Francesco Caselli and Massimo Morelli. Bad politicians. *Journal of Public Economics*, 88(3-4):759–782, 2004
- (c) Abhijit Banerjee and Rohini Pande. Parochial politics: Ethnic preferences and politician corruption. Unpublished ms., 2009
- (d) Andrew Beath, Fotini Christia, Georgy Egorov, and Ruben Enikolopov. Electoral rules and political selection: Theory and evidence from a field experiment in afghanistan. *The Review of Economic Studies*, 83(3):932–968, 2016
- (e) Daron Acemoglu, Georgy Egorov, and Konstantin Sonin. Political selection and persistence of bad governments. *The Quarterly Journal of Economics*, 125(4):1511–1575, 2010
- (f) Daron Acemoglu, James A Robinson, and Ragnar Torvik. Why do voters dismantle checks and balances? *Review of Economic Studies*, 80(3):845–875, 2013

(1/28) Democratization

- (a) *Daron Acemoglu and James A. Robinson. Why did the west extend the franchise? democracy, inequality, and growth in historical perspective. *Quarterly Journal of Economics*, 115(4):1167–1199, November 2000
- (b) *James R Hollyer, B Peter Rosendorff, and James Raymond Vreeland. Transparency, protest, and autocratic instability. *American Political Science Review*, 109(4):764–784, 2015
- (c) Daron Acemoglu and James A. Robinson. A theory of political transitions. *American Economic Review*, 91(4):938–63, September 2001
- (d) Alessandro Lizzeri and Nicola Persico. Why did the elites extend the suffrage? democracy and the scope of government, with an application to britain’s “age of reform”. *The Quarterly Journal of Economics*, 119(2):707–765, 2004
- (e) S. P. Harish and Andrew Little. The political violence cycle. *American Political Science Review*, 111(2):237–255, 2017
- (f) James D Fearon. Self-enforcing democracy. *The Quarterly Journal of Economics*, 126(4):1661–1708, 2011
- (g) Adam Przeworski and Fernando Limongi. Modernization: Theories and facts. *World politics*, 49(2):155–183, 1997

- (h) (interesting as background) Adam Przeworski. A conceptual history of political regimes: Democracy, dictatorship, and authoritarianism. Unpublished ms., 2017

(1/30) Protests, revolutions, coups.

- (a) *Chris Edmond. Information manipulation, coordination, and regime change. *Review of Economic Studies*, 80(4):1422–1458, 2013
- (b) *Ruben Enikolopov, Alexey Makarin, Maria Petrova, and Leonid Polishchuk. Social image, networks, and protest participation. Unpublished manuscript, 2018
- (c) Andrew T. Little. Communication technology and protest. *Journal of Politics*, 78(1), 2015
- (d) Andrew T. Little. Elections, fraud, and election monitoring in the shadow of revolution. *Quarterly Journal of Political Science*, 7:249–283, 2012
- (e) Daron Acemoglu, Tarek A Hassan, and Ahmed Tahoun. The power of the street: Evidence from egypt’s arab spring. *The Review of Financial Studies*, 31(1):1–42, 2017
- (f) Davide Cantoni, David Y. Yang, Noam Yuchtman, and Y. Jane Zhang. Protests as strategic games: Experimental evidence from hong kong’s anti-authoritarian movement. Unpublished ms., 2018
- (g) Salvador Barbera and Matthew O. Jackson. A model of protests, revolution, and information. Unpublished ms., 2018
- (h) Andrew T. Little. Coordination, learning, and coups. *Journal of Conflict Resolution*, 61(1):204–234, 2017

(2/4) Labor coercion

- (a) *Daron Acemoglu and Alexander Wolitzky. The economics of labor coercion. *Econometrica*, 79(2):555–600, 2011
- (b) *Nils-Petter Lagerlöf. Slavery and other property rights. *The Review of Economic Studies*, 76(1):319–342, 2009
- (c) Michael Suk-Young Chwe. Why were workers whipped? pain in a principal-agent model. *The Economic Journal*, 100(403):1109–1121, 1990
- (d) Andrei Markevich and Ekaterina Zhuravskaya. The economic effects of the abolition of serfdom: Evidence from the russian empire. *American Economic Review*, 108(4-5):1074–1117, 2018
- (e) Suresh Naidu and Noam Yuchtman. Coercive contract enforcement: Law and the labor market in nineteenth century industrial britain. *American Economic Review*, 103(1):107–44, 2013

- (f) Samuel Lee and Petra Persson. Human trafficking and regulating prostitution. Unpublished paper, Stanford University, 2018

(2/6) Autocracy

- (a) *Patrick Francois, Ilia Rainer, and Francesco Trebbi. How is power shared in africa? *Econometrica*, 83(2):465–503, 2015
- (b) *Daron Acemoglu, Georgy Egorov, and Konstantin Sonin. Coalition formation in non-democracies. *The Review of Economic Studies*, 75(4):987–1009, 2008
- (c) Georgy Egorov and Konstantin Sonin. Elections in non-democracies. *Journal of Political Economy*, forthcoming
- (d) Georgy Egorov and Konstantin Sonin. Dictators and their viziers: Endogenizing the loyalty–competence trade-off. *Journal of the European Economic Association*, 9(5):903–930, 2011
- (e) Ronald Wintrobe. The tinpot and the totalitarian: An economic theory of dictatorship. *American Political Science Review*, 84(3):849–872, 1990

(2/11) Censorship, autocratic media

- (a) *Timothy Besley and Andrea Prat. Handcuffs for the grabbing hand? media capture and government accountability. *American economic review*, 96(3):720–736, 2006
- (b) *Sergei Guriev and Daniel Treisman. Informational autocrats. Ms., Sciences Po and UCLA, 2018
- (c) Andrew T. Little. Propaganda and credulity. *Games and Economic Behavior*, 102:224–232, 2017
- (d) Mehdi Shadmehr and Dan Bernhardt. State censorship. *American Economic Journal: Microeconomics*, 7(2):280–307, 2015
- (e) Scott Gehlbach and Konstantin Sonin. Government control of the media. *Journal of Public Economics*, 118:163–171, 2014
- (f) Georgy Egorov, Sergei Guriev, and Konstantin Sonin. Why resource-poor dictators allow freer media: A theory and evidence from panel data. *American political science Review*, 103(4):645–668, 2009
- (g) John Mcmillan and Pablo Zoido. How to subvert democracy: Montesinos in peru. *Journal of Economic Perspectives*, 18(4):69–92, December 2004

(2/13) Corruption, 1: Economic consequences

- (a) *Benjamin A Olken and Patrick Barron. The simple economics of extortion: evidence from trucking in aceh. *Journal of Political Economy*, 117(3):417–452, 2009

- (b) *Daron Acemoglu and Thierry Verdier. The choice between market failures and corruption. *American economic review*, 90(1):194–211, 2000
- (c) Andrei Shleifer and Robert W. Vishny. Corruption. *Quarterly Journal of Economics*, 108(3):599–617, August 1993
- (d) Sergei Guriev. Red tape and corruption. *Journal of development economics*, 73(2):489–504, 2004
- (e) Roberto Burguet and Yeon-Koo Che. Competitive procurement with corruption. *RAND Journal of Economics*, pages 50–68, 2004
- (f) Raymond Fisman. Estimating the value of political connections. *American economic review*, 91(4):1095–1102, 2001
- (g) Emanuele Colonnelli and Mounu Prem. Corruption and firms: Evidence from randomized audits in brazil. Technical report, 2017. Unpublished paper, U of Chicago
- (h) Shang-Jin Wei. Why is corruption so much more taxing than tax? arbitrariness kills. Working Paper 6255, National Bureau of Economic Research, November 1997

(2/18) President’s Day. No Class.

(2/20) Corruption, 2: Causes and cures

- (a) *Jean Tirole. A theory of collective reputations (with applications to the persistence of corruption and to firm quality). *The Review of Economic Studies*, 63(1):1–22, 1996
- (b) *Juan Ortner and Sylvain Chassang. Making corruption harder: asymmetric information, collusion, and crime. *Journal of Political Economy*, 126(5):2108–2133, 2018
- (c) Daniel Treisman. What have we learned about the causes of corruption from ten years of cross-national empirical research? *Annu. Rev. Polit. Sci.*, 10:211–244, 2007
- (d) Marko Klasnja, Andrew Little, and Joshua Tucker. Political corruption traps. *Political Science Research and Methods*, 6(3):413–428, 2016
- (e) Sylvain Chassang and Gerard Padró i Miquel. Corruption, intimidation, and whistleblowing: A theory of inference from unverifiable reports. Unpublished paper, NYU, 2016
- (f) Claudio Ferraz and Frederico Finan. Electoral accountability and corruption: Evidence from the audits of local governments. *American Economic Review*, 101(4):1274–1311, 2011
- (g) Rafael Di Tella and Ernesto Schargrodsy. The role of wages and auditing during a crackdown on corruption in the city of buenos aires. *The Journal of Law and Economics*, 46(1):269–292, 2003

(2/25) Conflict, 1: Contest Models.

- (a) *Michelle R Garfinkel and Stergios Skaperdas. Economics of conflict: An overview. *Handbook of Defense Economics*, 2:649–709, 2007. (Can skip section 6.)
- (b) *Joan Esteban and Debraj Ray. Linking conflict to inequality and polarization. *American Economic Review*, 101(4):1345–74, 2011.
- (c) Joan Esteban and Debraj Ray. Conflict and distribution. *Journal of Economic Theory*, 87(2):379–415, 1999
- (d) Timothy Besley and Torsten Persson. The logic of political violence. *The Quarterly Journal of Economics*, 126(3):1411–1445, 2011.
- (e) Herschell I Grossman. A general equilibrium model of insurrections. *The American Economic Review*, pages 912–921, 1991.
- (f) James D. Fearon. Economic development, insurgency, and civil war. In Elhanan Helpman, editor, *Institutions and Economic Performance*. Harvard University Press, Cambridge, MA, 2008.

(2/27) Conflict, 2: Some economic implications.

- (a) *Ernesto Dal Bó and Pedro Dal Bó. Workers, warriors and criminals: Social conflict in general equilibrium. *Journal of the European Economic Association*, 9(4):646–77, August 2011.
- (b) *Oeindrila Dube and Juan F Vargas. Commodity price shocks and civil conflict: Evidence from colombia. *The Review of Economic Studies*, 80(4):1384–1421, 2013.
- (c) Timothy Besley and Hannes Mueller. Predation, protection, and productivity: a firm-level perspective. *American Economic Journal: Macroeconomics*, 10(2):184–221, 2018

(3/4) Conflict, 3: Information and commitment problem explanations for violent conflict.

- (a) *James Fearon and Xin Jin. Armed conflict bargaining. Ms., Stanford University, 2018
- (b) *Robert Powell. War as a commitment problem. *International Organization*, 60(1):169–204, Winter 2006.
- (c) Matthew O. Jackson and Massimo Morelli. Political bias and war. *American Economic Review*, 97(4):1353–73, September 2007
- (d) James D. Fearon. Cooperation, conflict, and the costs of anarchy. *International Organization*, 72(3):523–560, Summer 2018
- (e) Daron Acemoglu and Alexander Wolitzky. Cycles of conflict: An economic model. *American Economic Review*, 104(4):1350–67, 2014

(3/6) Conflict, 4: Mechanism design and violent conflict.

- (a) *Helmut Bester and Karl Wärneryd. Conflict and the social contract. *The Scandinavian Journal of Economics*, 108(2):231–249, 2006.
- (b) *Johannes Hörner, Massimo Morelli, and Francesco Squintani. Mediation and peace. *The Review of Economic Studies*, 82(4):1483–1501, 2015
- (c) Sandeep Baliga and Tomas Sjöström. Arms races and negotiations. *The Review of Economic Studies*, 71(2):351–369, 2004.
- (d) Mark Fey and Kristopher W Ramsay. Uncertainty and incentives in crisis bargaining: Game-free analysis of international conflict. *American Journal of Political Science*, 55(1):149–169, 2011
- (e) Adam Meirowitz, Massimo Morelli, Kristopher Ramsay, and Francesco Squintani. Dispute resolution institutions and strategic militarization. *Journal of Political Economy*, forthcoming
- (f) Charles Z Zheng. Necessary and sufficient conditions for peace: Implementability versus security. *Journal of Economic Theory*, 180:135–166, 2019
- (g) Gerard Padró i Miquel and Pierre Yared. The political economy of indirect control. *The Quarterly Journal of Economics*, 127(2):947–1015, 2012

(3/11) State and society, 1: Culture and norms.

- (a) *Leonardo Bursztyn, Georgy Egorov, and Stefano Fiorin. From extreme to mainstream: How social norms unravel. Unpublished ms., 2017
- (b) *Matthew O. Jackson and Yiqing Xing. The complementarity between community and government in enforcing norms and contracts, and their interaction with religion and corruption. Ms., Stanford University, November 2018
- (c) Roland Bénabou and Jean Tirole. Identity, morals, and taboos: Beliefs as assets. *The Quarterly Journal of Economics*, 126(2):805–855, 2011
- (d) Guido Tabellini. The scope of cooperation: Values and incentives. *The Quarterly Journal of Economics*, 123(3):905–950, 2008

(3/13) State and society, 2: Social identity.

- (a) *Moses Shayo. A model of social identity with an application to political economy: Nation, class, and redistribution. *American Political science review*, 103(2):147–174, 2009
- (b) *Joan Esteban and Debraj Ray. On the salience of ethnic conflict. *American Economic Review*, 98(5):2185–2202, 2008
- (c) Nicholas Sambanis and Moses Shayo. Social identification and ethnic conflict. *American Political Science Review*, 107(2):294–325, 2013

- (d) Yan Chen and Sherry Xin Li. Group identity and social preferences. *American Economic Review*, 99(1):431–57, 2009
- (e) Roy Chen and Yan Chen. The potential of social identity for equilibrium selection. *American Economic Review*, 101(6):2562–89, 2011
- (f) Esteban F Klor and Moses Shayo. Social identity and preferences over redistribution. *Journal of Public Economics*, 94(3-4):269–278, 2010
- (g) Charles Efferson, Rafael Lalive, and Ernst Fehr. The coevolution of cultural groups and ingroup favoritism. *Science*, 321(5897):1844–1849, 2008