

Economics 221/PoliSci 460B: Political Economy II Conflict, Non-Democratic Politics, and Politics of Development

Stanford University, Winter 2020

MW 1:30-3:20pm, Landau 139

<https://canvas.stanford.edu/courses/111377>

Syllabus version: January 14, 2020

NOTE: Some revisions may still occur.

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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, including clientelism, repression, censorship and control of media, and autocratic politics. We also consider work on protests, 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 most weeks feature at least some empirical work.

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

- Each class will consist of
 1. two or three student presentations of the central idea/argument/evidence of a selected paper (15–20 minutes), with brief discussion afterward (typically 10–15 minutes);
 2. a short presentation by Gabriel or Jim (typically 10–15 minutes) to provide a general background for the *next* class, before you read the papers.
- We do not require every student to read the two or three papers for each class. Presentations are meant to convey the main idea to those who haven't read the paper. However, we do ask each student (besides the presenters) to commit to read at least one of these papers in detail, so that we can ensure a minimum level of informed discussion. (And of course, reading more is encouraged and to your advantage!) We will have a sign-up system for these commitments, to be discussed in the first class.
- Starred (*) papers are our suggestions for papers to be presented. We are open to choice of different articles based on your interests, but only with advance permission.

Requirements and grading Evaluation will be based on (1) presentations; (2) participation and effort in class discussions; and (3) a 5–10 page proposal for a research project involving a political economy model, including discussion of relation to the literature. Grading will place weights roughly (1/4, 1/4, 1/2) on these three components.

Presentations should absolutely not be more than 20 minutes long, and more succinct presentations are preferable. Presenters should have read the paper carefully and made a serious attempt to understand models, broader arguments, evidence advanced, and author claims about the relationship of the paper to prior work. It may be useful to consult other papers as background. The presentations should be reasonably organized: speakers should practice 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. It may sometimes be helpful, rather than describing a model from the paper in detail, to write your own simplified version of the model, or just a toy example.

We also strongly urge that each student meet with one or both of us during the first three weeks of class, to discuss research interests and directions. If you already have an idea about the final proposal for the class, this will also be a chance to get early feedback so that you can iterate on it later in the quarter.

More detailed instructions on the research proposal will appear later.

2 Reading List and Agenda

We have listed here our planned 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. However we will continue to make changes before the quarter starts, and may make minor revisions during the quarter. The syllabus posted on Canvas should always be the most current one.

(1/6) Course introduction.

- (a) Daron Acemoglu, Simon Johnson, and James A Robinson. Institutions as a fundamental cause of long-run growth. *Handbook of economic growth*, 1:385–472, 2005.

(1/8) Institutions and development, 1

- (a) *Mancur Olson. Dictatorship, development, and democracy. *American Political Science Review*, 87(3):567–576, September 1993
- (b) *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
- (c) *Barry R. Weingast. Political foundations of democracy and the rule of law. *American Political Science Review*, 91:245–63, June 1997
- (d) Daron Acemoglu, James A. Robinson, and Ragnar Torvik. The political agenda effect and state centralization. Unpublished ms., 2016
- (e) Samuel Bowles and Jung-Kyoo Choi. The neolithic agricultural revolution and the origin of private property. *Journal of Political Economy*, 127(2186-2228), 2019

(1/13) 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) *Raúl Sánchez de la Sierra. On the origins of the state: Stationary bandits and taxation in eastern congo. *Journal of Political Economy*, 128(1):32–74, 2020
- (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

(1/15) Rule of law and legal order

- (a) *Gillian K Hadfield and Barry R Weingast. What is law? a coordination model of the characteristics of legal order. *Journal of Legal Analysis*, 4(2):471–514, 2012
- (b) *George J Mailath, Stephen Morris, and Andrew Postlewaite. Laws and authority. *Research in Economics*, 71(1):32–42, 2017
- (c) Roland Benabou and Jean Tirole. Laws and norms. NBER working paper, 2011
- (d) Daron Acemoglu and Matthew O Jackson. Social norms and the enforcement of laws. *Journal of the European Economic Association*, 15(2):245–295, 2017
- (e) Chris Bidner and Patrick Francois. The emergence of political accountability. *The Quarterly Journal of Economics*, 128(3):1397–1448, 2013
- (f) *Daron Acemoglu and Alexander Wolitzky. A theory of equality before the law. unpublished paper, 2019

(1/20) MLK Day. No class.

(1/22) Flawed democracy: 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) *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
- (c) Simeon Nichter. Vote buying or turnout buying? machine politics and the secret ballot. *American political science review*, 102(1):19–31, 2008
- (d) Frederico Finan and Laura Schechter. Vote-buying and reciprocity. *Econometrica*, 80(2):863–881, 2012
- (e) 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
- (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) Siwan Anderson, Patrick Francois, and Ashok Kotwal. Clientelism in indian villages. *American Economic Review*, 105(6):1780–1816, 2015

- (h) *Philip Keefer and Razvan Vlaicu. Democracy, credibility, and clientelism. *Journal of law, economics, & organization*, 24(2):371–406, 2008
- (i) James A Robinson and Thierry Verdier. The political economy of clientelism. *The Scandinavian Journal of Economics*, 115(2):260–291, 2013

(1/27) 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) *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
- (c) Daron Acemoglu and James A. Robinson. A theory of political transitions. *American Economic Review*, 91(4):938–63, September 2001
- (d) S. P. Harish and Andrew Little. The political violence cycle. *American Political Science Review*, 111(2):237–255, 2017
- (e) James D Fearon. Self-enforcing democracy. *The Quarterly Journal of Economics*, 126(4):1661–1708, 2011
- (f) Carles Boix and Susan C Stokes. Endogenous democratization. *World politics*, 55(4):517–549, 2003
- (g) Adam Przeworski and Fernando Limongi. Modernization: Theories and facts. *World politics*, 49(2):155–183, 1997
- (h) Barbara Geddes. What do we know about democratization after twenty years? *Annual review of political science*, 2(1):115–144, 1999

(1/29) Protests, revolutions, coups.

- (a) *Timur Kuran. Sparks and prairie fires: A theory of unanticipated political revolution. *Public choice*, 61(1):41–74, 1989
- (b) *Susanne Lohmann. A signaling model of informative and manipulative political action. *American Political Science Review*, 87(2):319–333, 1993
- (c) Susanne Lohmann. The dynamics of informational cascades: The monday demonstrations in leipzig, east germany, 1989–91. *World politics*, 47(1):42–101, 1994
- (d) *Ethan Bueno De Mesquita. Regime change and revolutionary entrepreneurs. *American Political Science Review*, 104(3):446–466, 2010
- (e) Mehdi Shadmehr and Dan Bernhardt. Collective action with uncertain payoffs: coordination, public signals, and punishment dilemmas. *American Political Science Review*, 105(4):829–851, 2011

- (f) Andrew T. Little. Communication technology and protest. *Journal of Politics*, 78(1), 2015
- (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
- (i) Andreas Madestam, Daniel Shoag, Stan Veuger, and David Yanagizawa-Drott. Do political protests matter? evidence from the tea party movement. *The Quarterly Journal of Economics*, 128(4):1633–1685, 2013
- (j) 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
- (k) Ruben Enikolopov, Alexey Makarin, and Maria Petrova. Social media and protest participation: Evidence from russia. *Available at SSRN 2696236*, 2019
- (l) Davide Cantoni, David Y Yang, Noam Yuchtman, and Y Jane Zhang. Protests as strategic games: experimental evidence from hong kong’s antiauthoritarian movement. *The Quarterly Journal of Economics*, 134(2):1021–1077, 2019

(2/3) Electoral fraud and manipulation

- (a) *Andrew T. Little. Elections, fraud, and election monitoring in the shadow of revolution. *Quarterly Journal of Political Science*, 7(3):249–283, 2012
- (b) Andrew T. Little, Joshua A. Tucker, and Tom LaGatta. Elections, protest, and alternation of power. *The Journal of Politics*, 77(4):1142–1156, 2015
- (c) *Ashlea Rundlett and Milan W Svulik. Deliver the vote! micromotives and macrobehavior in electoral fraud. *American Political Science Review*, 110(1):180–197, 2016
- (d) Scott Gehlbach and Alberto Simpser. Electoral manipulation as bureaucratic control. *American Journal of Political Science*, 59(1):212–224, 2015
- (e) Georgy Egorov and Konstantin Sonin. Elections in non-democracies. *Journal of Political Economy*, forthcoming
- (f) Chris Edmond. Information manipulation, coordination, and regime change. *Review of Economic Studies*, 80(4):1422–1458, 2013
- (g) Chris Edmond and Yang K. Lu. Creating confusion. November, 2018
- (h) Gary King, Jennifer Pan, and Margaret E Roberts. How the chinese government fabricates social media posts for strategic distraction, not engaged argument. *American Political Science Review*, 111(3):484–501, 2017

(2/5) Ethnic politics

- (a) *Patrick Francois, Ilia Rainer, and Francesco Trebbi. How is power shared in africa? *Econometrica*, 83(2):465–503, 2015
- (b) *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
- (c) *Robin Burgess, Remi Jedwab, Edward Miguel, Ameet Morjaria, and Gerard Padró i Miquel. The value of democracy: evidence from road building in kenya. *American Economic Review*, 105(6):1817–51, 2015

(2/10) Factions

- (a) *Daron Acemoglu, Georgy Egorov, and Konstantin Sonin. Coalition formation in non-democracies. *The Review of Economic Studies*, 75(4):987–1009, 2008
- (b) *Patrick Francois, Francesco Trebbi, and Kairong Xiao. Factions in nondemocracies: Theory and evidence from the chinese communist party. Unpublished paper, December 2017
- (c) *Nicola Persico, José CR Pueblita, and Dan Silverman. Factions and political competition. *Journal of Political Economy*, 119(2):242–288, 2011
- (d) Torun Dewan and Francesco Squintani. In defense of factions. *American Journal of Political Science*, 60(4):860–881, 2016

(2/12) 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) *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
- (c) Andrew T. Little. Propaganda and credulity. *Games and Economic Behavior*, 102:224–232, 2017
- (d) Bei Qin, David Strömberg, and Yanhui Wu. Why does china allow freer social media? protests versus surveillance and propaganda. *Journal of Economic Perspectives*, 31(1):117–40, 2017
- (e) Mehdi Shadmehr and Dan Bernhardt. State censorship. *American Economic Journal: Microeconomics*, 7(2):280–307, 2015
- (f) Scott Gehlbach and Konstantin Sonin. Government control of the media. *Journal of Public Economics*, 118:163–171, 2014
- (g) John Mcmillan and Pablo Zoido. How to subvert democracy: Montesinos in peru. *Journal of Economic Perspectives*, 18(4):69–92, December 2004

- (h) Sergei Guriev and Daniel Treisman. Informational autocrats. *Journal of Economic Perspectives*, 33:100–127, 2019
- (i) David Strömberg. Media and politics. *Annual Review of Economics*, 7, 2015

(2/17) President’s Day. No Class.

(2/19) Corruption, 1: Economic consequences

- (a) Andrei Shleifer and Robert W. Vishny. Corruption. *Quarterly Journal of Economics*, 108(3):599–617, August 1993
- (b) *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
- (c) *Daron Acemoglu and Thierry Verdier. The choice between market failures and corruption. *American economic review*, 90(1):194–211, 2000
- (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) Shang-Jin Wei. Why is corruption so much more taxing than tax? arbitrariness kills. Working Paper 6255, National Bureau of Economic Research, November 1997
- (g) Raymond Fisman. Estimating the value of political connections. *American economic review*, 91(4):1095–1102, 2001
- (h) Asim Ijaz Khwaja and Atif Mian. Do lenders favor politically connected firms? rent provision in an emerging financial market. *The Quarterly Journal of Economics*, 120(4):1371–1411, 2005
- (i) Emanuele Colonnelli and Mounu Prem. Corruption and firms. Technical report, U of Chicago, 2019. Unpublished paper

(2/24) Corruption, 2: Causes and cures

- (a) *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
- (b) Jens Chr. Andvig and Karl Ove Moene. How corruption may corrupt. *Journal of Economic Behavior & Organization*, 13(1):63–76, 1990
- (c) *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

- (d) Marko Klasnja, Andrew Little, and Joshua Tucker. Political corruption traps. *Political Science Research and Methods*, 6(3):413–428, 2016
- (e) Claudio Ferraz and Frederico Finan. Electoral accountability and corruption: Evidence from the audits of local governments. *American Economic Review*, 101(4):1274–1311, 2011
- (f) *Rafael Di Tella 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(1):269–292, 2003
- (g) Juan Ortner and Sylvain Chassang. Making corruption harder: asymmetric information, collusion, and crime. *Journal of Political Economy*, 126(5):2108–2133, 2018
- (h) Sylvain Chassang and Gerard Padró I Miquel. Crime, intimidation, and whistleblowing: A theory of inference from unverifiable reports. *The Review of Economic Studies*, 86(6):2530–2553, 2019

(2/26) Conflict, 1: Explaining costly fighting.

- (a) *James D. Fearon. Rationalist explanations for war. *International Organization*, 49(3):379–414, Summer 1995
- (b) *Robert Powell. War as a commitment problem. *International Organization*, 60(1):169–204, Winter 2006
- (c) *Gerard Padró i Miquel and Pierre Yared. The political economy of indirect control. *The Quarterly Journal of Economics*, 127(2):947–1015, 2012
- (d) James D Fearon. Civil war & the current international system. *Dædalus*, 146(4):18–32, 2017
- (e) Matthew O Jackson and Massimo Morelli. The reasons for wars: an updated survey. *The handbook on the political economy of war*, 34, 2011
- (f) Michelle R Garfinkel and Stergios Skaperdas. Economics of conflict: An overview. *Handbook of Defense Economics*, 2:649–709, 2007
- (g) Joan Esteban and Debraj Ray. Linking conflict to inequality and polarization. *American Economic Review*, 101(4):1345–74, 2011.
- (h) Joan Esteban and Debraj Ray. Conflict and distribution. *Journal of Economic Theory*, 87(2):379–415, 1999
- (i) Herschell I Grossman. A general equilibrium model of insurrections. *The American Economic Review*, pages 912–921, 1991.
- (j) James D. Fearon. Economic development, insurgency, and civil war. In Elhanan Helpman, editor, *Institutions and Economic Performance*. Harvard University Press, Cambridge, MA, 2008.

(3/2) Conflict, 2: Contest models, and 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 Torsten Persson. The logic of political violence. *The Quarterly Journal of Economics*, 126(3):1411–1445, 2011.
- (d) Joshua Blumenstock, Tarek Ghani, Sylvan Herskowitz, Ethan B Kapstein, Thomas Scherer, and Ott Toomet. *Insecurity and industrial organization: Evidence from Afghanistan*. The World Bank, 2018
- (e) 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: Asymmetric information and conflict

- (a) Helmut Bester and Karl Wärneryd. Conflict and the social contract. *The Scandinavian Journal of Economics*, 108(2):231–249, 2006.
- (b) *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
- (c) Johannes Hörner, Massimo Morelli, and Francesco Squintani. Mediation and peace. *The Review of Economic Studies*, 82(4):1483–1501, 2015
- (d) *Adam Meirowitz, Massimo Morelli, Kristopher W Ramsay, and Francesco Squintani. Dispute resolution institutions and strategic militarization. *Journal of Political Economy*, 127(1):378–418, 2019
- (e) Charles Z Zheng. Necessary and sufficient conditions for peace: Implementability versus security. *Journal of Economic Theory*, 180:135–166, 2019
- (f) Andrew Kydd. Which side are you on? bias, credibility, and mediation. *American Journal of Political Science*, 47(4):597–611, 2003
- (g) *Sandeep Baliga and Tomas Sjöström. Arms races and negotiations. *The Review of Economic Studies*, 71(2):351–369, 2004

(3/9) State and society, 1: Culture and norms.

- (a) Alberto Bisin and Thierry Verdier. The economics of cultural transmission and the dynamics of preferences. *Journal of Economic theory*, 97(2):298–319, 2001
- (b) *Guido Tabellini. The scope of cooperation: Values and incentives. *The Quarterly Journal of Economics*, 123(3):905–950, 2008

- (c) *Esther Hauk and Maria Saez-Marti. On the cultural transmission of corruption. *Journal of Economic theory*, 107(2):311–335, 2002
- (d) Matthias Doepke and Fabrizio Zilibotti. Occupational choice and the spirit of capitalism. *The Quarterly Journal of Economics*, 123(2):747–793, 2008
- (e) *B Douglas Bernheim. A theory of conformity. *Journal of political Economy*, 102(5):841–877, 1994
- (f) Timothy Besley and Torsten Persson. Democratic values and institutions. *American Economic Review: Insights*, 1(1):59–76, 2019
- (g) Guido Tabellini. Culture and institutions: economic development in the regions of europe. *Journal of the European Economic association*, 8(4):677–716, 2010
- (h) Roland Bénabou and Jean Tirole. Identity, morals, and taboos: Beliefs as assets. *The Quarterly Journal of Economics*, 126(2):805–855, 2011

(3/11) 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) *Nicholas Sambanis and Moses Shayo. Social identification and ethnic conflict. *American Political Science Review*, 107(2):294–325, 2013
- (c) Erik Lindqvist and Robert Östling. Identity and redistribution. *Public Choice*, 155(3-4):469–491, 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