

# COMPARATIVE POLITICAL ECONOMY

*(This reading list is adapted from classes taught by Professor Victor Menaldo at the University of Washington)*

## Description

Why are only a handful of countries wealthy while most are poor? Why are some countries more unequal than others? What is the effect of inequality on politics and of politics on the distribution of income? What explains the strong cross-country correlation between state capacity, the rule of law, and liberal democracy? In order to answer these and similar questions, particular emphasis will be placed on:

- 1) The role of the state in developing & regulating markets for capital, labor, and raw materials.
- 2) How the resources produced through this process are distributed.
- 3) The willingness and ability of governments to tax income, wealth, and consumption.
- 4) How governments decide to use these revenues: whether to provide public goods, redistribute them, or steal them.

A general focus on institutions, and a particular focus on why suboptimal policies are often such a resilient equilibrium, despite their socially undesired outcomes, will shed considerable light on these puzzles. This means exploring how the incentives of economic agents and the government are aligned—or not aligned—through the creation and consolidation of the rules of the game.

These institutions include laws and regulations that govern property rights and contracts, as well as their enforcement mechanisms. They are often the outcome of a political process influenced by the persistent features of a society, be they geographical, historical, cultural, or economic. These institutions are also the product of constitutional and legal structures that are more amenable to change. In short, we will scrutinize the logical consistency and scope conditions of theories that give pride of place to institutions, and that argue that key differences in the incentive structures engendered by these explain differences in economic policies, efficiency, and distribution.

Because the theories we will explore provide falsifiable hypotheses that can be assessed against data or experiments, we will also evaluate the validity, reliability, and robustness of the evidence summoned to support them. Special emphasis will be placed on causal inference and mechanisms. The empirical scope will encompass both the developed and developing world, and

we will exploit several sources of variation, including both changes over time and differences across place.

## **Introduction**

1. [Margaret Levi, “The Economic Turn in Comparative Politics”](#)
2. [Alston et al., “Institutional and Organizational Analysis”: 31-108](#)
3. [Chris Winship and Stephen Morgan, “The Estimation of Causal Effects from Observational Data”](#)

## **The Political Economy of Capitalism**

1. [Galetovic and Haber, “The Fallacies of Patent-Holdup Theory”](#)
2. [Jan De Vries, “The Industrious Revolution”: Chapters 1-4](#)
3. [Hall and Gingerich, “Varieties of Capitalism and Institutional Complementarities in the Political Economy”](#)
4. [Farrel, “Offshoring: Value Creation through Economic Change”/Levy, “Offshoring in the New Global Political Economy”](#)
5. [Zingales, “Towards a Political Theory of the Firm”](#)

## **Sources of Long run Economic Development**

1. [Acemoglu, Johnson & Robinson, “Institutions as the Fundamental Cause of Long run Growth”](#)
2. [Victor Menaldo, “The Institutions Curse”: Chapters 2 and 7.](#)
3. [HJ Chang, “Institutions and Economic Development: Theory, Policy and History”](#)
4. [Nathan Nunn and Leonard Wantchekon, “The Slave Trade and The Origins Of Mistrust In Africa”](#)
5. [Spolaore and Wacziarg, “How Deep Are The Roots Of Economic Development?”](#)

## **Recommended**

Bueno de Mesquita Bruce, Alastair Smith, Randolph M. Siverson, and James D. Morrow. 2003. *The Logic of Political Survival*. Cambridge, MA: MIT Press.

Matthew Fails and Jonathan Kriekhaus. 2010. “Colonialism, Property Rights and the Modern World Income Distribution.” *British Journal of Political Science*.

Douglass North, William Summerhill and Barry Weingast. 2000. "Order, Disorder and Economic Change." In Bruce Bueno de Mesquita and Hilton Roots, editors, *Governing for Prosperity*. Yale University Press.

Rodrik, Dani, Arvind Subramanian, and Francesco Trebbi. 2004. "Institutions rule." *Journal of Economic Growth*. 9(2): 131-165.

Edward Glaeser, Rafael La Porta, Francisco Lopez de Silanes, and Andrei Shleifer. 2004. "Do Institutions Cause Growth?" *Journal of Economic Growth* 9: 271-303.

Avner Greif and Guido Tabellini. 2010. "Development, Culture and Institutions: China and Europe Compared." *American Economic Review: Papers & Proceedings*. 100(2): 1–10.

Sebastian Dellepiane-Avellaneda. 2009. "Review Article: Good Governance, Institutions and Economic Development: Beyond the Conventional Wisdom." *British Journal of Political Science*.

Luigi Guiso, Paola Sapienza and Luigi Zingales. 2006. "Does Culture Affect Economic Outcomes?" *Journal of Economic Perspectives*."

Louis Putterman and David Weil. 2010. "Post-1500 Population Flows and the Long-run Determinants of Economic Growth and Inequality." *The Quarterly Journal of Economics*.

Enrico Spolaore and Romain Wacziarg. 2009. "The Diffusion of Development." *The Quarterly Journal of Economics*.

Timur Kuran. 2004. "Why the Middle East Is Economically Underdeveloped: Historical Mechanisms of Institutional Stagnation." *Journal of Economic Perspectives*: 18(3): 71-90.

Daron Acemoglu, Simon Johnson, James Robinson, and Pierre Yared. 2008. "Income and Democracy." *American Economic Review* 98(3): 808-842.

Daron Acemoglu and James Robinson. 2005. "Economic Origin of Dictatorship and Democracy." Cambridge University Press. Introduction and Conclusion.

Alessandro Lizzeri and Nicola Persico. 2004. 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.

Victor Menaldo. 2016. "(Ignoring) the Prosperity Playbook" *International Trade Journal*

Nunn and Puga. 2012, "Ruggedness: The Blessing of Bad Geography in Africa" *Review of Economics and Statistics*

Guido Tabellini. 2010. "Culture and Institutions: Economic Development in the regions of Europe."

## Sources of Economic Distribution within countries/Redistribution

1. [Thomas Piketty, “Capital in the 21<sup>st</sup> Century”: p. 1-335.](#)
2. [Simcha Barkai, “Declining Labor and Capital Shares”](#)
3. [James Bessen, “Information Technology and Industry Concentration”](#)
4. [Torben Iversen and David Soskice, “Distribution and Redistribution”](#)
5. [Albertus and Menaldo, “Authoritarianism & the Elite Origins of Democracy”: 2, 5 & 7](#)

## Consequences of Inequality

1. [Engerman and Sokoloff, “Colonialism, Inequality, And Long-Run Paths Of Development”](#)
2. [Abhijit Banerjee and Lakshmi Iyer, “History, Institutions and Economic Performance: the Legacy of Colonial Land Tenure Systems in India”](#)
3. [Melissa Dell, “The Persistent Effects of Peru’s Mining Mita”](#)
4. [Angus Deaton, “Health, Inequality, and Economic Development”](#)
5. Trevor, Reilly and Gerhart, “Reconsidering Pay Dispersion’s Effect on the Performance of Interdependent Work: Reconciling Sorting and Pay Inequality”

## Recommended

Kathryn Firmin-Sellers. 1995. “The Politics of Property Rights”. American Political Science Review.

Jean-Marie Baland and James Robinson. 2008. “Land and Power: Theory and Evidence from Chile.” *The American Economic Review* 98(5): 1737-1765.

Michael Albertus. 2015. “Explaining Patterns of Redistribution under Autocracy: The Case of Peru’s Revolution from Above.” *Latin American Research Review* 50(2): 107-34.

Marcus Goldstein and Chris Udry. 2008. “The Profits of Power: Land Rights and Agricultural Investment in Ghana.” *Journal of Political Economy*, 116: 981-1022.

Ernesto Dal Bó, Pedro Dal Bó, and Jason Snyder. 2009. “Political Dynasties.” *The Review of Economic Studies* 76: 115-42.

Easterly, William. 2007. “Inequality Does Cause Underdevelopment: Insights from a New Instrument.” *Journal of Development Economics* 84: 755-76.

## **Taxation and Public Goods**

1. [Campbell, “The State and Fiscal Sociology” Ch. 3.](#)
2. [Jeffrey Timmons, “The Fiscal Contract: States, Taxes and Public Services”](#)
3. [Scheve and Stasavage, “Democracy, War, and Wealth: Evidence from Two Centuries of Inheritance Taxation”](#)
4. [Kimuli Kasara, “Tax Me if You Can”](#)
5. [Andrew Walder, “Property Rights and Stratification in Socialist Redistributive Economies”](#)

### **Recommended**

Timothy Besley and Torsten Persson. 2009. “The Origins of State Capacity: Property Rights, Taxation and Politics.” *American Economic Review*.

The New Political Economy of Taxation in Advanced Capitalist Democracies. 2002. Duane Swank and Sven Steinmo. *American Journal of Political Science*

Kenneth L. Sokoloff and Eric Zolt, 2007. “Inequality and the Evolution of Institutions of Taxation: Evidence from the Economic History of the Americas.” In Sebastian Edwards, Gerardo Esquivel, and Graciela Márquez, editors, *The Decline of Latin American Economies: Growth, Institutions, and Crises*. University of Chicago Press.

## **Financial Systems**

1. [Douglass North and Barry Weingast, “Constitutions & Commitment”](#)
2. [Victor Menaldo, “The Fiscal Roots of Financial Underdevelopment”](#)
3. [Marco Pagano and Paolo Volpin, “The Political Economy of Finance”](#)
4. [Raghuram Rajan and Luigi Zingales, “The Great Reversals: The Politics of Financial Development in the Twentieth Century”](#)
5. [Victor Menaldo and Daniel Yoo, “Democracy, Elite bias, and Financial Development in Latin America”](#)

### **Recommended**

Charles Calomiris and Stephen Haber, “Fragile by Design”: Chapters 1 & 2.

- David Stasavage. 2007. "Partisan Politics and Public Debt: The Importance of the Whig Supremacy for Britain's Financial Revolution" *European Review of Economic History*, vol.11, pp.123-153.
- Marc Quintyn and Geneviève Verdier. 2010. "Mother, Can I Trust the Government?" *Sustained Financial Deepening - A Political Institutions View.* IMF Working Paper.
- Luigi Guiso, Paola Sapienza, and Luigi Zingales. 2004. "Does Local Financial Development Matter?" *Quarterly Journal of Economics*, 119 (3): 929-969.
- Marco Pagano and Paolo Volpin. "The Political Economy of Corporate Governance," *American Economic Review* Vol 95:4, p. 1005-1030
- Abhijit Banerjee and Esther Duflo. 2010. "Giving Credit Where it is Due." Working Paper.
- Dean Karlan. 2009. "Expanding Credit Access: Using Randomized Supply Decisions to Estimate the Impacts." Working Paper.
- Abhijit Banerjee, Esther Duflo, Rachel Glennerster and Cynthia Kinnan. 2010. "The Miracle of Microfinance? Evidence from a Randomized Evaluation." Working Paper.
- Craig Brown and I. Serdar Dinc. 2005. The Politics of Bank Failures." *Quarterly Journal of Economics* November.
- Guillermo Rosas. 2005. Bagehot or Bailout? An Analysis of Government Responses to Banking Crises. *American Journal of Political Science*.
- Carlos Diaz-Alejandro. 1985. "Goodbye Financial Repression Hello Financial Crash." *Journal of Development Economics* 19: 1-24.
- Stephan Haggard and Sylvia Maxfield. 1996. The Political Economy of Financial Internationalization in the Developing World *International Organization* 50(1): 35-68.
- Roger Congleton. 2009. "On the political economy of the financial crisis and bailout of 2008–2009." *Public Choice*

## **Corruption & State Capture**

1. [William Mitchell and Michael Munger, "Economic Models of Interest Groups: An Introductory Survey"](#)
2. [Andrei Shleifer and Robert Vishny, "Corruption"](#)
3. [Joel Hellman, Geraint Jones, and Daniel Kaufmann. "Seize the State, Seize the Day: State Capture and Influence in Transition Economies"](#)
4. [Mara Faccio, "Politically Connected Firms"](#)

5. [Asim Ijaz Khwaja and Atif Mian, “Do Lenders Favor Politically Connected Firms: Rent Provision in an Emerging Financial Market”](#)

### Recommended

George Stigler. 1971. “The Theory of Economic Regulation.” *Bell Journal of Economics and Management Science* 2: 3-21.

William Mitchell and Michael Munger. 1991. “Economic Models of Interest Groups: An Introductory Survey.” *American Journal of Political Science* 35: 512-546.

Daniel Treisman. 2007. What Have We Learned About the Causes of Corruption From Ten Years of Cross-National Empirical Research? *Annual Review of Political Science* 10: 211-44.

Timothy Besley and Robin Burgess. 2002. “The Political Economy of Government Responsiveness: Theory and Evidence from India.” *The Quarterly Journal of Economics*.

Benjamin Olken. 2007. “Monitoring Corruption: Evidence from a Field Experiment in Indonesia.” *Journal of Political Economy*.

Claudio Ferraz and Fred Finan. 2008. “Exposing Corrupt politicians: the Effects of Brazil’s Publicly Released Audits on Electoral Outcomes.” *Quarterly Journal of Economics*.

Alberto Chong, Anna L. De la O, Dean Karlan and Leonard Wantchekon. 2010. “Information Dissemination and Local Governments’ Electoral Returns: Evidence from a Field Experiment in Mexico.” Working Paper.

Raymond Fisman. 2001. “Estimating the Value of Political Connections.” *American Economic Review* 91: 1095-1102.

Chang-Tai Hsieh, Edward Miguel, Daniel Ortega, Francisco Rodríguez. 2011. “The Price of Political Opposition: Evidence from Venezuela’s *Maisanta*.” *American Economic Journal: Applied Economics* 3: 196–214.

### **Political Economy of Industrialization**

1. [James Robinson, “Industrial Policy and Development: a Political Economy Perspective”](#)
2. [Acemoglu, Daron, and James Robinson. “Economic Backwardness in Political Perspective”](#)
3. [Haber, Razo, and Maurer, “The Politics of Property Rights”: Chapters 1, 2 & 5.](#)

4. [Robert Bates, “Markets and States in Tropical Africa: The Political Basis Of Agricultural Policies”](#)
5. [HJ Chang, “Industrial Policy: Can We Go Beyond an Unproductive](#)

Confrontation?” Recommended

Moses Abramovitz. 1986. “Catching up, Forging Ahead, and Falling Behind”

Hausmann, Ricardo, Jason Hwang, and Dani Rodrik. 2007. “What you Export Matters.” *Journal of Economic Growth* 12(1): 1-25.

Menaldo, Victor. 2016. “The fiscal roots of urban bias” *Business and Politics*.

HJ Chang. 2002. “Kicking Away the Ladder” Anthem Press