

# GOVERNMENT 2158

## Political Institutions and Economic Policy

Spring 2005

**Jeffrey Frieden and Kenneth Shepsle, Instructors**

This seminar explores the role of political institutions in the formation, implementation, and regulation of economic policy. We examine research traditions in the positive theory of political institutions, and in comparative and international political economy, and apply them to several substantive issue areas.

Requirements of the course are seminar participation and an original research paper related to the general approach of the course. The topic must be approved by the instructors in advance, by April 4.

All readings available on JSTOR (to the best of our knowledge) are marked with a ? below. Readings available through HOLLIS online (to the best of our knowledge) are marked with a + below. We will make arrangements to have a course pack available for those interested in purchasing the collection.

The course website is at

<http://www.courses.fas.harvard.edu/~gov2158/>

Instructor coordinates are as follows:

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February 7

Organization and Introduction

February 14

Economics of Policy I: Special Interests

Dennis Mueller, *Public Choice III* (New York: Cambridge University Press, 2003), pp. 343-358.

?William Mitchell and Michael Munger, "Economic Models of Interest Groups: An Introductory Survey," *American Journal of Political Science* 35 (May 1991): 512-546.

?Anne Krueger, "The Political Economy of the Rent-Seeking Society," *American Economic Review* 64 (June 1974): 291-303.

?Gary S. Becker, "A Theory of Competition among Pressure Groups for Political Influence," *Quarterly Journal of Economics* (August 1983): 371-400.

February 21

NO CLASS

February 28

Trade Policy I: Interests

Ron Rogowski, *Commerce and Coalitions* (Princeton: Princeton University Press, 1989), chapter 1.

?Michael J. Hiscox, "Commerce, Coalitions, and Factor Mobility: Evidence from Congressional Votes on Trade Legislation," *American Political Science Review* 96 (2002): 593-609.

?Gene Grossman and Elhanan Helpman, "Protection for Sale," *American Economic Review* 84 (1994): 833-850.

Kishore Gawande and Pravin Krishna, "The Political Economy of Trade Policy: Empirical Approaches," in E. Kwan Choi and James Harrigan (eds.), *Handbook of International Trade* (Malden, MA: Blackwell, 2003): 213-250.

+Dutt, Pushan & Mitra, Devashish, "[Endogenous trade policy through majority voting: an empirical investigation](#)," *Journal of International Economics* 58 (2002): 107-133.

March 7

Analytics of Institutions I: Politicians

+Francesco Caselli and Massimo Morelli, "Bad Politicians," *Journal of Public Economics* 88 (2004): 759-782.

Ernesto Dal Bo and Rafael Di Tella, "Capture by Threat," *Journal of Political Economy*, forthcoming.

Ernesto Dal Bo, Pedro Dal Bo, and Rafael Di Tella, "Plato o Plomo? Bribe and Punishment in a Theory of Political Influence." Working paper, 2003.

March 14

Analytics of Institutions II: Elections

?Gary Cox, "Centripetal and Centrifugal Incentives in Electoral Systems," *American Journal of Political Science* 34 (November 1990): 903-935.

+Ronald Rogowski and Mark Kayser, "Majoritarian Electoral Systems and Consumer Power: Price-Level Evidence from the OECD Countries," *American Journal of Political Science* 46, (July 2002): 526-539.

?Barry Weingast, Kenneth Shepsle, and Christopher Johnsen, "The Political Economy of Benefits and Costs: A Neoclassical Approach to Distributive Politics," *Journal of Political Economy* 89 (August 1981): 642-664.

James Fearon, "Electoral Accountability and the Control of Politicians: Selecting Good Types versus Sanctioning Poor Performance," in Adam Przeworski, Susan Stokes, and Bernard Manin, *Democracy, Accountability, and Representation* (New York: Cambridge University Press, 1999), pp. 55-97.

March 21

Analytics of Institutions III: Structure of Politics

?David Baron and John Ferejohn, "Bargaining in Legislatures," *American Political Science Review* 83 (December 1989): 1181-1206.

?Barry Weingast and William Marshall, "The Industrial Organization of Congress," *Journal of Political Economy* 96 (1988): 132-163.

+Elhanan Helpman and Torsten Persson, "Lobbying and Legislative Bargaining," *Advances in Economic Analysis & Policy* 1 (2001), Article 3.

March 28

NO CLASS

April 4

Analytics of Institutions IV: Bureaucracy and Regulation

Dennis Mueller, *Public Choice III* (New York: Cambridge University Press, 2003), pp. 359-385, 386-401.

Roderick Kiewiet and Mathew McCubbins, *The Logic of Delegation* (Chicago: University of Chicago Press, 1991), Chap. 1-2.

?Randall Calvert, Mathew McCubbins, and Barry Weingast, "A Theory of Political Control and Agency Discretion," *American Journal of Political Science* 33 (August 1989): 588-611.

?Barry R. Weingast and Mark J. Moran, "Bureaucratic Discretion or Congressional Control? Regulatory Policymaking by the Federal Trade Commission," *Journal of Political Economy* 91 (1983): 765-800.

April 11

Trade Policy II: Interests and Institutions

- James Alt and Michael Gilligan, "The Political Economy of Trading States: Factor Specificity, Collective Action Problems and Domestic Political Institutions," *Journal of Political Philosophy* 2 (1994): 165-192.
- ?Michael Bailey, Judith Goldstein, and Barry Weingast, "The Institutional Roots of American Trade Policy," *World Politics* (April 1997): 309-38.
- ?Douglas Irwin and Randall Kroszner. "Interests, Institutions, and Ideology in Securing Policy Change: The Republican Conversion to Trade Liberalization after Smoot-Hawley," *Journal of Law and Economics* (October 1999): 643-73.
- ?Michael J. Hiscox, "The Magic Bullet? The RTAA, Institutional Reform, and Trade Liberalization," *International Organization* 53 (Autumn 1999): 669-698.
- ?Ronald Rogowski, "Trade and the Variety of Democratic Institutions," *International Organization* 41 (Spring 1987): 203-223.

April 18

Agricultural Policy

- ?Hans P. Binswanger and Klaus Deininger, "Explaining Agricultural and Agrarian Policies in Developing Countries," *Journal of Economic Literature* 35 (1997): 1958-2005.
- ?John C. Beghin and Mylene Kherallah, "Political Institutions and International Patterns of Agricultural Protection," *Review of Economics and Statistics* 76 (1994): 482-489.
- Jonathan C. Brooks, A. Colin Cameron, and Colin A. Carter, "Political Action Committee Contributions and U.S. Congressional Voting on Sugar Legislation," *American Journal of Agricultural Economics* 80 (1998): 441-454.
- Steven M. Helfand, "Interest Groups and Economic Policy: Explaining the Pattern of Protection in the Brazilian Agricultural Sector," *Contemporary Economic Policy* 18 (2000): 462-476.
- Margaret S. McMillan and William A. Masters, "An African Growth Trap: Production Technology and the Time-Consistency of Agricultural Taxation, R&D and Investment," *Review of Development Economics* 7 (2003): 179-191.

April 25

Financial Regulation I

- Burton Abrams and Russell Settle, "Pressure-group Influence and Institutional Change: Branch-banking Legislation during the Great Depression," *Public Choice*, LXXVII (1993): 687-705.

?Nicolas Economides, R. Glenn Hubbard, and Darius Palia, "The Political Economy of Branching Restrictions and Deposit Insurance," *Journal of Law and Economics*, XXXIX (October 1996): 667-704.

?Randall Kroszner and Philip Strahan. "What Drives Deregulation? Economics and Politics of the Relaxation of Bank Branching Restrictions," *Quarterly Journal of Economics* 114 (November 1999): 1437-67.

Philip Keefer, "When Do Special Interests Run Rampant? Disentangling the Role of Elections, Incomplete Information, and Checks and Balances in Banking Crises," working paper, (October 2001).

May 2

## Financial Regulation II

+Stephen Nunez and Howard Rosenthal, "Bankruptcy Reform in Congress: Creditors, Committees, Ideology, and Floor Voting in the Legislative Process," *Journal of Law, Economics & Organization* 20 (2004): 527-557.

J. Lawrence Broz, "Domestic Politics of International Financial Rescues: Voting on Bailouts in the 1990s," [http://weber.ucsd.edu/%7Ejlbroz/broz\\_ajps\\_bailouts.pdf](http://weber.ucsd.edu/%7Ejlbroz/broz_ajps_bailouts.pdf)

+Raghuram G. Rajan and Luigi Zingales, "The Great Reversals: The Politics of Financial Development in the Twentieth Century," *Journal of Financial Economics* 69(2003): 5-50.