

Eco 385: Political Economy
Class time: T/Th. 10:55-12:40
Room: Karp 101

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Office Hours: TH 2-4 and by appointment.

Course Description

Politics posits a large role for economics in determining political outcomes, and economics suggests a central role for policy in the workings of markets. Political economy attempts to make these connections explicit, by treating economic and political outcomes as interdependent and endogenous. The course will consider the insights and lacuna that arise in using economic methodology, including formal models, optimization and regression analysis, to analyze political phenomena and interactions between the economic and political systems. Topics will include voting behavior, coalitions and interest groups, rent-seeking, bureaucracy, regulation, the formation and impact of political beliefs, culture and democracy, and the interactions between economic development, democratization and income inequality. Students will undertake a major research project as a significant portion of their grade.

Course Objectives

The primary objective of the course is for students to critically evaluate the literature on political economy. By this, I mean that, in addition to being familiar with key theories and results, students will gain an appreciation for the flaws and limits of this literature, for the nature of economic debate and the manner in which particular strands of this literature evolve, for inherent empirical challenges that arise in attempting to assign causality among correlated economic and political variables, and for the statistical techniques commonly employed to address these challenges. A critical perspective on this particular subfield of economics is intended to give students an appreciation for how economic knowledge is constructed. A number of aspects of the course are designed to support this objective, including the use of seminar-style discussions of frontier research, close attention to data sources and empirical techniques, and the undertaking of substantial research project.

Course Requirements

Class Participation: A big part of the course is talking about what you have read. In preparation for class discussions, you'll want to read the papers for that meeting carefully and think about them in depth before coming to class. At the end of the course, I'll ask each of you to rank your classmates based on their contribution to class discussions. I will use this information in determining your discussion grade. (15%)

In-Class Quizzes: I will start each discussion class with a short quiz to test whether you've read the material for that day. The quizzes will be graded on a 0-1-2 basis, and I will drop your lowest two grades. (20%)

Empirical Exercises: These exercises are designed to introduce you to the empirical techniques used in political economy and to some common empirical issues you will encounter in reading journal articles, e.g. designing and interpreting regressions, dealing with omitted variables bias, and endogenous regressors. From a practical point of view, doing these exercises will give you some experience manipulating data, using econometric software and writing up and interpreting empirical results.

There are three empirical exercises. We will discuss the topics addressed by each exercise in class the week before it is due. You will work in small groups (3 or 4) and hand in a single common answer. (15%)

Research Project: An important goal of the course is to assist you in what may be your first large research project. This will be a 20-25 page paper and presentation on a topic of your choice. This project is discussed in more detail in a separate handout. (50%)

I do not expect you to walk in here knowing how to do research. To help you along, we will discuss a “research topic” at the end of each class meeting for the first four or five weeks of the course. Key due dates are listed below, as well as in the course outline below.

<u>Activity</u>	<u>Date</u>	<u>Weight</u>
Paper topics	April 14	0%
Literature Review	April 30	5%
Rough Draft	May 26	20%
Presentation	May 28-June 4	5%
Final Paper	June 5	20%

Software: For the empirical exercises and the research project, you’ll be working with data. This means you’ll need access to Excel or a similar spreadsheet program to manipulate data. In addition, you’ll need to obtain an econometric software package. I recommend Stata. Stata is widely available on campus and student versions run around \$40. I’ll talk some about using Stata in class.

Course Materials: The course readings are posted on Nexus. There’s no textbook, which saves you some serious money, but **I do expect you to print out the papers for each day and bring them to class.** To save money on printing, you may format the papers as landscapes or use double-sided printing. At 10 cents per page, your estimated printing costs are under \$150 for the term, which is around the cost of a textbook. Using landscape printing, this falls to \$75, which is significantly less than a book.

Research Discussions: One of the main goals of this course is to help you improve your research and writing skills. To do this, we will be devoting time at the end of class to talk about some aspect of writing a research paper.

Attendance: It’s hard to participate if you are not there. You get two free absences (10% of the class). After that, each missed class counts two (2) points off your final grade. This includes absences during student presentations at the end of the course.

Cell Phone and Laptop Policy: I don’t allow the use of laptops during class. Looking at your cell phone during class will cost you a point on your final grade.

The Honor Code

Union College recognizes the need to create an environment of mutual trust as part of its educational mission. Responsible participation in an academic community requires respect for and acknowledgement of the thoughts and work of others, whether expressed in the present or in some distant time and place.

Matriculation at the College is taken to signify implicit agreement with the Academic Honor Code, available at honorcode.union.edu. It is each student's responsibility to ensure that submitted work is his or

her own and does not involve any form of academic misconduct. Students are expected to ask their course instructors for clarification regarding, but not limited to, collaboration, citations, and plagiarism.

Ignorance is not an excuse for breaching academic integrity, but I consider it my job to clarify any questions you have about how the honor code applies to work preformed for this class. I provide brief overview below.

Research Project: You may discuss your project with other students, but the work itself should be yours. The main issue here is plagiarism, which we'll discuss later in detail.

Empirical Exercises: You are expected to work in groups. Within the group, work is collaborative, but do not copy material or discuss your results across groups. If you have problems with a mechanical issue, e.g. need help with the data or the software, and ask a member of another group, note that in material you hand in.

Course Outline

1. March 31: Introduction to Political Economy

- a. Buchanan, James (1979) "Politics Without Romance: A Sketch of Positive Public Choice Theory and It's Normative Implications." *The Collected Works of James Buchanan* Vol. 1.
- b. Rodrik, Dani (2013) "The Tyranny of Political Economy," Project Syndicate.
- c. **Research:** Designing, running and interpreting regressions

2. April 2: Anarchy and Despotism

- a. Olson (1993) "Dictatorship, Democracy and Development," *APSR*, 1993.
- b. Leeson (2007) "Better off stateless: Somalia before and after government collapse," *Journal of Comparative Economics* 35, 689–710.
- c. **Research:** Basics of Stata

3. April 7: Constitutions

- a. North and Weingast (1989) "Constitutions and Commitment," *Journal of Economic History* 49, 803-832.
- b. Persson and Tabellini (2004) "The Economic Effects of Constitutions," *Journal of Economic Perspectives* 18(1), 75–98.
- c. **Research:** Finding a good paper topic

4. April 9: Civil War

- a. Collier and Hoeffler "Greed and Grievance in Civil War" *OEP*, 2004.
- b. Miguel, Edward, Shanker Satyanath and Ernest Sergenti (2004) "Economic Shocks and Civil Conflict: An Instrumental Variables Approach," *Journal of Political Economy* 112(4), 725-753.
- c. **Research:** Dealing with unobserved heterogeneity.
- d. **Due:** Empirical Exercise 01.

5. April 14: Voting

- a. Downs, Anthony (1957) "An Economic Theory of Political Action in a Democracy," *The Journal of Political Economy* 65(2), 135-150.
- b. Wagner, Gary A. and Russell S. Sobel. "Expressive Voting and Government Redistribution: Testing Tullock's 'Charity of the Uncharitable'." *Public Choice* 119, No. 1/2 (April 2004), pp. 143-159.

c. **Due:** Paper Topics

6. April 16: Congressional Voting

- a. Levitt (1996) “How Do Senators Vote?” AER 86(3), 425-441.
- b. Washington (2008), “Female Socialization: How Daughters Affect Their Legislator Fathers’ Voting on Women’s Issues,” AER 98(1), 311-332.
- c. **Research:** Dealing with Endogeneity.
- d. **Reading:** Is an economist qualified to solve puzzle of autism? WSJ, Whitehouse, 2/27/2007.
- e. **Due:** Empirical Exercise 02

7. April 21: Special Interest Groups

- a. Olson, Mancur (2000) Power and Prosperity. Chapters 4 and 5.
- b. Becker, Gary (1983) “A Theory of Competition Among Pressure Groups for Political Influence,” Quarterly Journal of Economics 98(3), 371-400.
- c. **Research:** Avoiding Plagiarism

8. April 23: Jurisdictional Competition

- a. Tiebout (1956) “A pure theory of local expenditures,” Journal of Political Economy 64(5), 416-424.
- b. Hoxby, (2000) “Does Competition Among Public Schools Benefit Students and Taxpayers?” AER 90(6), 1209-1238.

9. April 28: Political Economy of Race

- a. Stevens-Davidowitz, (2012) “The Effect of Racial Animus on a Black Presidential Candidate,” SSRN #2050673.
- b. Glaeser, Edward, “The Political Economy of Hatred, The Quarterly Journal of Economics (2005) 120 (1): 45-86.
- c. **Research:** The lit review
- d. **Due:** Empirical Exercise 03

10. April 30: Media and Politics

- a. DellaVigna and Kaplan (2007) “The Fox News Effect: Media Bias and Voting,” Quarterly Journal of Economics, 1187-1234.
- b. Falck, Gold, and Heblich (2014) “E-lections: Voting Behavior and the Internet,” American Economic Review, 104(7): 2238–2265
- c. **Due: Literature Review**

11. May 5: Formation of Political Preferences

- a. Giuliano and Spilimbergo (2009) “Growing Up in a Recession: Beliefs and the Macroeconomy,” NBER Working Paper #15321.
- b. Di Tella et al. (2007) “The Formation of Beliefs: Evidence from the Allocation of Land Titles to Squatters,” *Quarterly Journal of Economics* 122(1), 209-241.
- c. **Research:** Writing an introduction.

12. May 7: Preferences and Political Outcomes

- a. Alesina and Fuchs-Schuendeln, (2007) “Good-Bye Lenin (or not): The effect of communism on People’s Preferences,” *American Economic Review* 97(5), 1507-1528.
- b. Alesina and Angeletos (2005), “Fairness and Redistribution,” *American Economic Review* 95(4), 960-80.

13. May 12: Size and Growth of Government

- a. Glaeser and Schleifer (2003) "The Rise of the Regulatory State," JEL 41, 401-425.
- b. Robert Higgs. 1985. "Crisis, Bigger Government, and Ideological Change: Two Hypotheses on the Ratchet Phenomenon." *Explorations in Economic History* 22, pp.1-28.

14. May 14: Democratization

- a. Bourguignon and Verdier (2000) "Oligarchy, Democracy, Inequality and Growth," *Journal of Development Economics* 62, 285-313.
- b. Acemoglu and Robinson (2000) "Why did the West Extend the Franchise?" *Quarterly Journal of Economics*, 1167-1199.

15. May 19: Determinants of Institutional Quality: Colonization

- a. Sokoloff and Engerman (2000) "Institutions, Factor Endowments, and Paths of Development in the New World," *Journal of Economic Perspectives* 14(3), 217-232.
- a. Acemoglu, Johnson and Robinson (2001) "The Colonial Origins of Comparative Development: An Empirical Investigation," *American Economic Review* 91(5), 1369-1401.
- a. **Due:** Lit Review

16. May 21: Determinants of Institutional Quality: Culture

- a. Putnam (1993) "Explaining Institutional Performance," pp. 83-120, in *Making Democracy Work*. Princeton University Press: Princeton NJ, 1993.
- b. Licht, Amir, Chanan Goldschmidt and Shalom H. Schwartz (2007) "Culture rules: The foundations of the rule of law and other norms of governance," *Journal of Comparative Economics* 35, 659-688.]

17. May 26: Rough Drafts Due

18. May 28-June 4: Student Presentations