

ECON GU4370: Political Economy
Department of Economics, Columbia University

Fall 2019

Lectures: Tuesdays and Thursdays, 5.40pm-6.55pm

Location: 702 Hamilton Hall

Instructor: Prof. John Marshall

Office: 705 International Affairs Building

Office hours: W 4-6pm; [signup](#)

Email: jm4401@columbia.edu

TA: Teresa Esteban Casanelles

Section times: F 4:10-5pm, Fayerweather
302; M 9:10-10am, Hamilton 413

Office hours: M 5-7pm, IAB 1006A

Email: te2246@columbia.edu

TA: Dario Romero Fonseca

Section times: F 9:10-10am, Fayerweather
311; T 9:10-10am, 80 Claremont Room C01

Office hours: F and T 10-11am, Lehman
Library 2 Floor

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COURSE OVERVIEW AND OBJECTIVES

Like any rapidly growing field, political economy means different things to different people. This course aims to illuminate how political institutions and behavior shape economic outcomes, and vice versa, across the world today. We will use economic models and econometric techniques to draw comparisons both within and across a diverse set of nations ranging from established democracies like the United States to nascent democracies like Afghanistan.

We will focus on how the incentives facing individuals drive differences in voter participation, democratic representation, and ultimately economic development in both developed and developing contexts. Starting from the micro level study of political behavior, we will build up to analyze the internal workings of institutions and ultimately macro-level economic and political outcomes. Students will grapple with major contemporary debates including:

- When and why will citizens even participate in politics and their community?
- How do voters elect and control their representatives?
- What shapes the policies that governments implement, and when are they efficient?
- Can democratic institutions explain why some nations are rich and others are poor?

By studying these questions, the course will familiarize students with central political economy concepts – such as collective action problems, credible commitment, rent-seeking, and principal-agent problems – as well as frontier empirical findings and methods shaping how we think about the interrelation of economics and politics. These powerful concepts and tools will empower students to think analytically, analyze macro phenomena in terms of micro-level incentives, and

start to apply theoretical frameworks and empirical techniques to answer specific questions in this course and beyond.

COURSE PREREQUISITES

Intermediate Microeconomics (ECON UN3211), Intermediate Macroeconomics (ECON UN3213), and Introduction to Statistics (STAT 1201). Introduction to Econometrics (ECON UN3412), or equivalent, is also highly recommended.

These requirements are *non-negotiable for economics majors and concentrators* (including joint majors). The economics department is very clear that, without exceptions, the course cannot be taken for credit unless a student has completed these prerequisites.

Non-economics majors and concentrators are *strongly advised* to have completed these or comparable classes. This course is not an introduction to the mathematical tools used in economics, so proficiency in these tools will be assumed in lectures, problem sets, and exams. If you are uncertain, please speak with the instructor or one of the TAs.

COURSE REQUIREMENTS

Grades will be assigned according to the following components of the course:

- **Problem sets (25%).** The 4 problem sets will include formal and empirical problems. Problems setting can be submitted via email to a TA or left in box 46 or 47 in IAB 1022 (this office closes strictly at 5pm, after which you should send scanned copies via email). There will be a 5 point penalty for each day it is late. You may work together in groups, but must write up your answers independently (and note who you worked with).
- **Midterm exam (25%).** In-class on October 15, covering lecture materials and readings up to and including Lecture 12.
- **Final exam (50%).** The final exam will cover material from the lectures and readings covered throughout the course.

If you have any concerns over a grade that you received, please write a one-page memo to the TA that graded the assignment, copying the instructor. This memo should explain why the grade should be reappraised. Upon reappraisal, grades may be revised both up and down.

SECTIONS

Sections are an important component of this course. They will consolidate understanding, cover problem sets, and engage debates. Starting in the second week of class, the TAs will hold section meetings at the following times:

1. Friday 9:10am-10am, Fayerweather 311 (Dario).
2. Friday 4:10pm-5am, Fayerweather 302 (Teresa).
3. Monday 9:10am-10am, Hamilton 413 (Teresa).
4. Tuesday 9:10am-10am, 80 Claremont Room C01 (Dario).

You may choose which section to attend each week.

READINGS

This course will not follow specific textbooks, but rather draw from important and topical contributions to political economy. The course outline below provides references for the articles and chapters corresponding to each lecture, which are available online on the Canvas website under the “Library Reserves” or “Files” tabs. Students are not expected to be able to prove all the results in the assigned papers, but reading the papers will deepen understanding and help to develop technical skills for further classes.

ACADEMIC INTEGRITY

Columbia University does not tolerate cheating or plagiarism in any form. Students violating the code of academic and professional conduct will be subject to disciplinary procedures. Guidelines on academic integrity are available at <http://www.college.columbia.edu/academics/integrity>, and all students are expected to be familiar with and abide by them.

STUDENTS WITH DISABILITIES

In order to receive disability-related academic accommodations for this course, students must first be registered with their school Disability Services (DS) office. Detailed information is available online for both the [Columbia](#) and [Barnard](#) registration processes.

Refer to the appropriate website for information regarding deadlines, disability documentation requirements, and [drop-in hours](#)(Columbia)/[intake session](#) (Barnard).

For this course, students are not required to have testing forms or accommodation letters signed by faculty. However, students must do the following:

- The Instructor section of the form has already been completed and does not need to be signed by the professor.
- The student must complete the Student section of the form and submit the form to Disability Services.
- Master forms are available in the Disability Services office or online: <https://health.columbia.edu/services/testing-accommodations>

COURSE OUTLINE

Introduction: Why we need to study political economy

Lecture 1, 9/3: Political economy and the role of government

Angrist, Joshua D., and Jörn-Steffen Pischke. 2014. *Mastering 'Metrics: The Path from Cause to Effect*. Pages 1-30.

Sonnenschein, Hugo. 1983. "The Economics of Incentives: An Introductory Account." Nancy Schwartz Memorial Lecture, J. L. Kellogg School of Management, Northwestern University.

Lecture 2, 9/5: Information and political challenges

Acemoglu, Daron. 2003. "Why not a Political Coase Theorem? Social Conflict, Commitment, and Politics." *Journal of Comparative Economics* 31(4):620-652.

Farrell, Joseph. 1987. "Information and the Coase Theorem." *Journal of Economic Perspectives* 2:113-129.

Part 1: Citizen behavior: determinants of political participation and vote choice

Collective action

Lecture 3, 9/10: Collective action problems – cooperation

Banerjee, Abhijit, Lakshmi Iyer, and Rohini Somanathan. 2007. "Public Action for Public Goods." In *Handbook of Development Economics*, edited by T. Paul Schultz and John A. Strauss, Elsevier. Chapter 49.

Cantoni, Davide, David Y. Yang, Noam Yuchtman, and Y. Jane Zhang. 2019. "Protests as Strategic Games: Experimental Evidence from Hong Kong's Antiauthoritarian Movement." *Quarterly Journal of Economics* 134(2):1021-1077.

Shepsle, Kenneth A., and Mark S. Bonchek. 1997. *Analyzing Politics 2nd Edition*. Pages 237-250.

Lecture 4, 9/12: Collective action problems – coordination

Enikolopov, Ruben, Alexey Makarin, and Maria Petrova. 2019. "Social Media and Protest Participation: Evidence from Russia." Working paper.

Kuran, Timur. 1991. "Now Out of Never: The Element of Surprise in the East European Revolution of 1989." *World Politics* 44(1):7-48.

Shepsle, Kenneth A., and Mark S. Bonchek. 1997. *Analyzing Politics 2nd Edition*. Pages 220-237.

Lecture 5, 9/17: Community-based interventions to address collective action problems

Banerjee, Abhijit V., Rukmini Banerji, Esther Duflo, Rachel Glennerster, and Stuti Khemani. 2010. "Pitfalls of Participatory Programs: Evidence from a randomized evaluation in education in India." *American Economic Journal: Economic Policy* 2(1):1-30.

Björkman, Martina, and Jakob Svensson. 2009. "Power to the people: Evidence from a randomized field experiment on community-based monitoring in Uganda." *Quarterly Journal of Economics* 124(2):735-769.

Raffler, Pia, Daniel Posner, and Doug Parkerson. 2019. "The Weakness of Bottom-Up Accountability: Experimental Evidence from the Ugandan Health Sector." Working paper.

Lecture 6, 9/19: The paradox of voting: why do people turn out to vote?

Aldrich, John H. 1993. "Rational Choice and Turnout." *American Journal of Political Science* 37(1):246-278.

Gerber, Alan S., Donald P. Green, and Christopher W. Larimer. 2008. "Social pressure and voter turnout: Evidence from a large-scale field experiment." *American Political Science Review* 102(1):33-48.

Palfrey, Thomas R., and Howard Rosenthal. 1985. "Voter participation and strategic uncertainty." *American Political Science Review* 79(1):62-78.

Determinants of political preferences and vote choice

Problem set 1, due 9/24

Lecture 7, 9/24: Do voters vote in line with their redistributive interests?

Bartels, Larry. 2008. *Unequal Democracy*. Chapter 6.

Kuziemko, Ilyana, Michael I. Norton, Emmanuel Saez, and Stefanie Stantcheva. 2015. "How elastic are preferences for redistribution? Evidence from randomized survey experiments." *American Economic Review* 105(4):1478-1508.

Meltzer, Allan H., and Scott F. Richard. 1981. "A Rational Theory of the Size of Government." *Journal of Political Economy* 89(5):914-927.

Lecture 8, 9/26: Do social differences trump redistributive interests?

Alesina, Alberto, Reza Baqir, and William Easterly. 1999. "Public goods and ethnic divisions." *Quarterly Journal of Economics* 114(4):1243-1284.

Dahlberg, Matz, Karin Edmark, and Heléne Lundquist. 2012. "Ethnic Diversity and Preferences for Redistribution." *Journal of Political Economy* 120(1):41-76.

Shayo, Moses. 2009. "A Model of Social Identity with an Application to Political Economy: Nation, Class, and Redistribution." *American Political Science Review* 103(2):147-174.

Lecture 9, 10/1: Agency models of electoral accountability

Gehlbach, Scott. 2013. *Formal Models of Domestic Politics*. Cambridge University Press. Chapter 7.

Lecture 10, 10/3: Information and electoral accountability in practice

Enriquez, Jose Ramon, Horacio Larreguy, John Marshall, and Alberto Simpser. 2019. "Online political information: Facebook ad saturation and electoral accountability in Mexico." Working paper.

Ferraz, Claudio, and Frederico Finan. 2008. "Exposing Corrupt Politicians: The Effects of Brazil's Publicly Released Audits on Electoral Outcomes." *Quarterly Journal of Economics* 123(2):703-745.

Snyder Jr., James M., and David Strömberg. 2010. "Press coverage and political accountability." *Journal of Political Economy* 118(2):355-408.

Problem set 2, due 10/8

Lecture 11, 10/8: The influence of the media

Chen, Yuyu, and David Y. Yang. 2019. "The Impact of Media Censorship: Evidence from a Field Experiment in China." *American Economic Review* 109(6):2294-2332.

DellaVigna, Stefano, and Ethan Kaplan. 2007. "The Fox News effect: Media bias and voting." *Quarterly Journal of Economics* 122(3):1187-1234.

Martin, Greg, and Ali Yurukoglu. 2017. "Bias in Cable News: Persuasion and Polarization." *American Economic Review* 107(9):2565-2599.

Lecture 12, 10/10: Control of the media

Besley, Timothy, and Andrea Prat. 2006. "Handcuffs for the grabbing hand? Media capture and government accountability." *American Economic Review* 96(3):720-736.

King, Gary, Jennifer Pan, and Margaret E. Roberts. 2014. "Reverse-engineering censorship in China: Randomized experimentation and participant observation." *Science* 345(6199).

In-class midterm exam, 10/15

Part 2: The inner workings of democracy: explaining policy outcomes

Political competition and policy outcomes: electing or affecting?

Lecture 13, 10/17: How can democratic societies aggregate voter preferences to select policies?

Shepsle, Kenneth A., and Mark S. Bonchek. 1997. *Analyzing Politics 2nd Edition*. Pages 49-71, 82-91, 104-115.

Lecture 14, 10/22: How are decisions made in the face of social choice problems?

Alesina, Alberto. 1988. "Credibility and policy convergence in a two-party system with rational voters." *American Economic Review* 78(4):796-805.

Romer, Thomas, and Howard Rosenthal. 1978. "Political resource allocation, controlled agendas, and the status quo." *Public Choice* 33(4):27-43.

Lecture 15, 10/24: Does the median voter theorem explain policy outcomes?

Chattopadhyay, Raghendra, and Esther Duflo. 2004. "Women as policy makers: Evidence from a randomized policy experiment in India." *Econometrica* 72(5):1409-1443.

Fujiwara, Thomas. 2015. "Voting technology, political responsiveness, and infant health: evidence from Brazil." *Econometrica* 83(2):423-464.

Lott, John R., and Lawrence W. Kenny. 1999. "How dramatically did women's suffrage change the size and scope of government?" *Journal of Political Economy* 107(6):1163-1198.

Influences beyond the electorate: imperfect political competition

Problem set 3, due 10/29

Lecture 16, 10/29: Electoral fraud and vote buying

Beber, Bernd, and Alexandra Scacco. 2009. "The Devil Is in the Digits: Evidence That Iran's Election Was Rigged." *Washington Post*, June 20, 2009.

Callen, Michael, and James D. Long. 2015. "Institutional Corruption and Election Fraud: Evidence from a Field Experiment in Afghanistan." *American Economic Review* 105(1):354-381.

Cantu, Francisco. 2019. "The fingerprints of fraud: Evidence from Mexico's 1988 presidential elections." *American Political Science Review* 113(3):710-726.

Gonzalez-Ocantos, Ezequiel, Chad Kiewiet de Jonge, Carlos Meléndez, Javier Osorio, and David W. Nickerson. 2012. "Vote Buying and Social Desirability Bias: Experimental Evidence From Nicaragua." *American Journal of Political Science* 56(1):202-217.

Lecture 17, 10/31: Whose votes to buy?

Nichter, Simeon. 2008. "Vote Buying or Turnout Buying? Machine Politics and the Secret Ballot." *American Political Science Review* 102(1):19-31.

Stokes, Susan C. 2005. "Perverse accountability: A formal model of machine politics with evidence from Argentina." *American Political Science Review* 99(3):315-325.

Election day holiday, 11/5

Inefficient policy implementation

Lecture 18, 11/7: Inefficient political decision-making

Baron, David P., and John A. Ferejohn. 1989. "Bargaining in legislatures." *American Political Science Review* 83(4):1181-1206.

Hall, Richard L., and Alan V. Deardorff. 2006. "Lobbying as legislative subsidy." *American Political Science Review* 100(1):69-84.

Gilens, Martin, and Benjamin I. Page. 2014. "Testing Theories of American Politics: Elites, Interest Groups, and Average Citizens." *Perspectives on Politics* 12(3):564-581.

Lecture 19, 11/12: Control over the bureaucracy

Banerjee, Abhijit V., Esther Duflo, and Rachel Glennerster. 2008. "Putting a Band-Aid on a Corpse: Incentives for Nurses in the Indian Public Health Care System." *Journal of the European Economic Association* 6(2-3):487-500.

Becker, Gary S., and George J. Stigler. 1974. "Law Enforcement, Malfeasance, and Compensation of Enforcers." *Journal of Legal Studies* 3(1):1-18.

Dal Bo, Ernesto, Frederico Finan, and Martin Rossi. 2013. "Strengthening State Capabilities: The Role of Financial Incentives in the Call to Public Service." *Quarterly Journal of Economics* 128(3):1169-1218.

Lecture 20, 11/14: How problematic is corruption for economic efficiency?

Olken, Benjamin, and Patrick Barron. 2009. "The Simple Economics of Extortion: Evidence from Trucking in Aceh." *Journal of Political Economy* 117(3):417-452.

Shleifer, Andrei, and Robert W. Vishny. 1993. "Corruption." *Quarterly Journal of Economics* 108(3):599-617.

Part 3: Democracy and development: the emergence and role political institutions

Economic causes of democracy

Problem set 4, due 11/19

Lecture 21, 11/19: Levels of income – does modernization necessitate democratization?

Boix, Carles, and Susan C. Stokes. 2003. "Endogenous democratization." *World Politics* 55(4):517-549.

Dahl, Robert. 1971. *Polyarchy: Participation and Opposition*. Chapter 1.

Przeworski, Adam, and Fernando Limongi. 1997. "Modernization: Theories and Facts." *World Politics* 49(2):155-183.

Lecture 22, 11/21: Distribution of income – does conflict over resources produce democracy?

Acemoglu, Daron, and James A. Robinson. 2000. “Why Did the West Extend the Franchise? Democracy, Inequality, and Growth in Historical Perspective.” *Quarterly Journal of Economics* 115(4):1167-1199.

Aidt, Toke S., and Raphaël Franck. 2015. “Democratization under the threat of revolution: Evidence from the Great Reform Act of 1832.” *Econometrica* 83(2):505-547.

Political causes of economic development

Lecture 23, 11/26: Do political institutions cause economic development?

Acemoglu, Daron, and James A. Robinson. 2012. *Why Nations Fail: The Origins of Power, Prosperity and Poverty*. Chapter 3.

Acemoglu, Daron, Simon Johnson, and James A. Robinson. 2001. “The Colonial Origins of Comparative Development: An Empirical Investigation.” *American Economic Review* 91(5):1369-1401.

Beath, Andrew, Fotini Christia, and Ruben Enikolopov. 2016. “Do Elected Councils Improve Governance? Experimental Evidence on Local Institutions in Afghanistan.” World Bank working paper.

Dell, Melissa. 2010. “The Persistent Effects of Peru’s Mining Mita.” *Econometrica* 78(6):1863-1903.

University holiday, 11/28

Lecture 24, 12/3: Is everything historically predetermined?

Banerjee, Abhijit, and Esther Duflo. 2014. “Under the Thumb of History? Political Institutions and the Scope for Action.” *Annual Review of Economics* 6:951-971.

Beaman, Lori, Raghavendra Chattopadhyay, Esther Duflo, Rohini Pande, and Petia Topalova. 2009. “Powerful Women: Does Exposure Reduce Bias?” *Quarterly Journal of Economics* 124(4):1497-1540.

Jones, Benjamin F., and Benjamin A. Olken. 2005. “Do leaders matter? National leadership and growth since World War II.” *Quarterly Journal of Economics* 120(3):835-864.

Conclusions and overview

Lecture 25, 12/5: Recap and conclusions