

## Institutions and Political Economy

Course title – Intitulé du cours	Institutions and Political Economy
Level / Semester – Niveau /semestre	M2 / S1
School – Composante	Ecole d'Economie de Toulouse
Teacher – Enseignant responsable	Josepa (Pepita) Miquel-Florensa
Lecture Hours – Volume Horaire CM	30
TA Hours – Volume horaire TD	
TP Hours – Volume horaire TP	
Course Language – Langue du cours	Anglais
TA and/or TP Language – Langue des TD et/ou TP	

### Teaching staff contacts – Coordonnées de l'équipe pédagogique:

Josepa (Pepita) Miquel-Florensa

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Office: T.351

Office hours: by appointment

### Course Objectives – Objectifs du cours:

This course serves as an introduction to a number of topics in contemporary political economy. As part of the course, students will develop critical understanding of pressing public policy issues, such as: Do institutions have long-run economic effects? What are common manifestations of flawed governance and corruption in terms of human capital incentives, economic and political outcomes? What are the implications of political connections and revolving doors across different economic sectors, including lobbying, finance and public procurement among others? Which policies and institutional remedies may be effective in addressing these problems?

These and other questions are examined through the lens of rich qualitative and quantitative evidence from contemporary research in economics, political science, and sociology. A major component of the course is critical evaluation of various methodological approaches and their applicability in each particular setting. These approaches include theoretical modeling, causal inference using observational data (difference-in-differences, the synthetic control method, meta-analysis), and field experiments. The course also emphasizes the importance of measurement issues that may arise in practice and discusses interpretability of research findings. Upon completion, students will acquire both the theoretical knowledge and practical skills that are necessary for rigorous policy evaluation.

### Prerequisites – Pré requis:

Program evaluation methods at the level of *Mostly Harmless Econometrics* (2008) by Angrist and Pischke. Basic microeconomics.

### **Practical information about the sessions – Modalités pratiques de gestion du cours:**

While this is a lecture course, students are expected to thoroughly read all the mandatory readings (announced in class) prior to each session and actively participate in class. Laptops are accepted in the class.

### **Grading system – Modalités d'évaluation:**

The grade is a weighted average of (1) a written assignment (40%) and a class presentation/project in group (60%).

The written assignment is due October 27. The class presentations will be coordinated in the different weeks matching the class topic.

- The written assignment is a paper that discusses what has been covered in the first block of the course (up to 5 double-spaced pages). This exercise requires students to provide a brief analytical synthesis of the material and point out what are the most important aspects and the main unresolved issues.
- The group class presentations aim to discuss, for the different blocks of the course, the literature on the topic focusing on Europe/North America.

### **Distance learning – Enseignement à distance :**

Classes will be held in person until further notice.

The instructor will be available for online and face-to-face office hours (please send an email to make an appointment).

### **Confidentiality – Confidentialité :**

If classes are to be held online, recording Zoom sessions in any form, including taking screenshots, is prohibited. Redistributing any class materials (such as articles and slides uploaded on Moodle) is also prohibited.

### **Bibliography/references – Bibliographie/références :**

All required articles and chapters will become available on Moodle.

### **Session planning – Planification des séances:**

#### **Topic 1: Long-term Effects of Institutions**

- Pande, Rohini and Christopher Udry (2005) "Institutions and Development: A View from Below," Proceedings of the 9th World Congress of the Econometric Society, edited by Richard Blundell, W. Newey, and Torsten Persson
- Acemoglu, Daron, Johnson, Simon and Robinson, James A. (2001) "The Colonial Origins of Comparative Development: An Empirical Investigation." American Economic Review.
- Acemoglu, Daron, Johnson, Simon and Robinson, James. (2002) "Reversal of Fortune: Geography and Institutions in the Making of the Modern World Income Distribution." Quarterly Journal of Economics.
- Dell, Melissa. (2010) "The Persistent Effects of Peru's Mining Mita." Econometrica.

- Nunn, Nathan and Wantchekon, Leonard. (2011) "The Slave Trade and the Origins of Mistrust in Africa." *American Economic Review*.
- Marcella Alsan, (2012) "The Effect of the TseTse Fly on African Development", *American Economic Review*.
- Stelios Michalopoulos and Elias Papaioannou (2013) "Pre-colonial Ethnic Institutions and Contemporary African Development", *Econometrica*.
- Persson, T., Tabellini, G. (2004) "Constitutions and economic policy", *Journal of Economic Perspectives*.

## **Topic 2: Inside institutions - Politicians and Bureaucrats**

Selection of public employees/bureaucrats:

- (Zambia) Ashraf, Nava, Oriana Bandiera, Edward Davenport and Scott S. Lee (2020) "Losing Prosociality in the Quest for Talent? Sorting, Selection, and Productivity in the Delivery of Public Services." *American Economic Review*.
- (Mexico) Dal Bo, Ernesto, Frederico Finan and Martin A Rossi (2013) "Strengthening State Capabilities: The Role of Financial Incentives in the Call to Public Service" *Quarterly Journal of Economics*.

Management and performance of public employees/bureaucrats:

- (Nigeria) Imran Rasul, Daniel Rogger (2018) "Management of Bureaucrats and Public Service Delivery: Evidence from the Nigerian Civil Service" *The economic journal*.
- (Russia) Best, Michael, Jonas Hjort and David Szakonyi (2022) "Individuals and Organizations as Sources of State Effectiveness" *Forthcoming, American Economic Review*
- (Pakistan) Oriana Bandiera, Michael Best, Adnan Khan and Andrea Prat (2021) "The Allocation of Authority in Organizations: A Field Experiment with Bureaucrats" *Quarterly Journal of Economics*.

Private benefits from public office:

- (India) Fisman, Raymond, Florian Schulz and Vikrant Vig, (2014) "The Private Returns to Public Office", *Journal of Political Economy*.
- (Brazil) Brollo, F., Nannicini, T., Perotti, R., Tabellini, G., (2013) "The Political Resource Curse." *American Economic Review*.
- (Brazil) Ferraz, Claudio and Frederico Finan (2011) "Motivating Politicians: The Impacts of Monetary Incentives on Quality and Performance" *Working paper*.

Europe/US:

- (Sweden) Dal Bo´, Ernesto, Frederico Finan, Olle Folke, Torsten Persson, and Johanna Rickne (2017) "Who becomes a politician?" *The Quarterly Journal of Economics*.
- (Britain) Eggers, A., and Hainmueller. J., (2009) "MPs for Sale? Estimating Returns to Office in Post-war British Politics." *American Political Science Review*.
- (Italy) Gagliarducci, Stefano and Tommaso Nannicini, (2013) "Do Better Paid Politicians Perform Better? Disentangling Incentives from Selection", *Journal of the European Economic Association*.

### **Topic 3: Corruption -- Economic effects**

Stylized facts on corruption:

- Olken, Benjamin and Pande, Rohini (2012) "Corruption in Developing Countries". Annual Review of Economics 4.

Individuals facing corrupt bureaucrats:

- (India) Bertrand, Marianne, Simeon Djankov, Rema Hanna and Sendhil Mullainathan. (2007) "Obtaining a Driving License in India: An Experimental Approach to Studying Corruption." The Quarterly Journal of Economics.

Corruption on public works and public services:

- (Indonesia) Olken, Benjamin. (2007) "Monitoring Corruption: Evidence from a Field Experiment in Indonesia." Journal of Political Economy.
- (Uganda) Ritva Reinikka and Jakob Svensson (2005) "Fighting corruption to improve schooling: Evidence from a newspaper campaign in Uganda", Journal of the European Economic Association.

Corruption and firms:

- (VietNam) Bai, Jie, Seema Jayachandran, Edmund J. Malesky and Benjamin Olken (2019) « Firm Growth and Corruption: Empirical Evidence from Vietnam" Economic Journal.
- (Brazil) Emanuele Colonnelli and Mounu Prem (2022) "Corruption and Firms," Review of Economic Studies.

Europe/US:

- Campos, N., E. Engel, R. Fischer and A. Galetovic. (2021) "The Ways of Corruption in Infrastructure: Lessons From the Odebrecht Case," J. of Economic Perspectives.
- (Italy) Bandiera, Oriana, Andrea Prat, and Tommaso Valletti. (2009) "Active and Passive Waste in Government Spending: Evidence from a Policy Experiment." American Economic Review.

### **Topic 4: Corruption -- Political Effects**

Administrative/electoral data:

- (Peru) McMillan and Pablo Zoido, (2004) "How to Subvert Democracy: Montesinos in Peru", Journal of Economic Perspectives.
- (Brazil) Ferraz, Claudio and Frederico Finan. (2008) "Exposing Corrupt Politicians: The Effect of Brazil's Publicly Released Audits on Electoral Outcomes." Quarterly Journal of Economics.
- (Brazil) Frederico Finan and Claudio Ferraz (2011) "Electoral Accountability and Corruption in Local Governments: Evidence from Audit Reports", American Economic Review.
- (Sierra Leone) Casey, Katherine (2015) "Crossing Party Lines: The Effects of Information on Redistributive Politics," American Economic Review.

#### Experiments:

- (Paraguay) Rumilda Cañete, Pepita Miquel-Florensa, Stéphane Straub and Karine Van Der Straeten (2020) "Voting Corrupt Politicians Out of Office? Evidence from a Survey Experiment in Paraguay," *Journal of Economic Behavior and Organization*.
- (Mexico) Chong, A. , De La O, A.L. , Karlan, D. , Wantchekon, L. , (2014) "Does corruption information inspire the fight or quash the hope? A field experiment in Mexico on voter turnout, choice, and party identification" *J. Politics*.
- (Mexico) Eric Arias, Horacio Larreguy, John Marshall, and Pablo Querubin. (2022) "Priors rule: When do malfeasance revelations help and hurt incumbent parties?" *Journal of the European Economic Association*.

#### Europe/US:

- (Spain) Joaquín Artés, Juan Luis Jiménez and Jordi Perdigueró, (2023) "The effects of revealing the prosecution of political corruption on local finances," *Empirical Economics*.
- (Spain) Borrella-Mas, M.; Rode, M. (2021) "Love is blind: partisan alignment and political corruption in Spain". *Series*.
- (Spain) Solé-Ollé, Albert & Sorribas-Navarro, Pilar, (2018) "Trust no more? On the lasting effects of corruption scandals," *European Journal of Political Economy*.

#### **Topic 5: Vote-buying and Political patronage**

##### Vote buying:

- (Paraguay) Laura Schechter and Frederico Finan, (2012) "Vote-Buying and Reciprocity," 2012. *Econometrica*.
- (Philippines) Cruz, Cesi, P. Keefer and J. Labonne (2021) "Buying Informed Voters: New Effects of Information on Voters and Candidates" *The Economic Journal*.
- (Sao Tome and Principe) Vicente, Pedro C. (2014). "Is Vote Buying Effective? Evidence from a Field Experiment in West Africa," *The Economic Journal*.
- (Mexico) Horacio Larreguy, John Marshall and Pablo Querubin. (2016) "Parties, Brokers and Voter Mobilization: How Turnout Buying Depends Upon the Party's Capacity to Monitor Brokers." *American Political Science Review*.

##### Patronage and political dynasties:

- (Philippines) C. Cruz, J. Labonne and P. Querubin, (2017) "Politician Family Networks and Electoral Outcomes: Evidence from the Philippines" *American Economic Review*.
- (Brazil) Emanuele Colonnelli, Mounu Prem and Edoardo Teso. (2020) "Patronage and Selection in Public Sector Organizations," *American Economic Review*.

#### **Topic 6: Firms and Political Connections**

- (Indonesia) Fisman, Raymond. (2001) "Estimating the Value of Political Connections." *American Economic Review*.
- (China) Chen, Ting, and James Kai-sing Kung. (2018) "Busting the 'Princelings': The Campaign Against Corruption in China's Primary Land Market." *The Quarterly Journal of Economics*.
- (Venezuela) Hsieh, Chang-Tai, Edward Miguel, Daniel Ortega and Francisco Rodriguez. (2008) "The Price of Political Opposition: Evidence from Venezuela's *Maisanta*." *American Economic Journal: Applied Economics*.

- (Pakistan) Khwaja, Asim I. and Atif Mian. (2005) "Do lenders favor politically connected firms? Rent provision in an emerging financial market." *Quarterly Journal of Economics*.

**Topic 7: The economic and political legacies of dictatorships**

*Transition to democracy:*

- *Fuchs-Schündeln, N. and Matthias Schündeln (2015), "On the Endogeneity of Political Preferences: Evidence from Individual Experience with Democracy", Science.*
- *Daron Acemoglu & James A. Robinson, (2008). "Persistence of Power, Elites, and Institutions," American Economic Review.*
- *Acemoglu, D. and Robinson, J.A., (2000). "Why did the West extend the franchise? Democracy, inequality, and growth in historical perspective", The Quarterly Journal of Economics.*

*Case studies:*

- *(Brazil) Ferraz, Claudio, Frederico Finan and Monica Martinez-Bravo, (2020). "Political Power, Elite Control, and Long-Run Development: Evidence from Brazil," NBER Working Paper.*
- *(Indonesia) Martinez-Bravo, Monica, Priya Mukherjee, Andreas Stegmann (2017), "The NonDemocratic Roots of Elite-Capture: Evidence from Soeharto Mayors in Indonesia" Econometrica.*
- *(Chile) Gonzalez, Felipe et al (2020), "The privatization origins of political corporations: Evidence from the Pinochet regime", Journal of Economic History*

*Europe/US:*

- *(Germany) Voth, H-J, and Nico Voigtländer (2023) "Highway to Hitler" forthcoming, American Economic Journal: Applied*
- *(Spain) Ana Tur-Prats and Felipe Valencia (2023) "The Long Shadow of the Spanish Civil War", Working paper*