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PS 362: The New Economics
Of Organization for Political Science

The purpose of this course is to apply the New Economics of Organization to questions central to political scientists and students of political-economy. Although much of the logic was developed by studying problems of markets, firms, and contracting, this approach applies to a far wider range of problems. The focus throughout the course will be on institutions, their evolution, their purpose, and their stability. The course will develop a unified approach and apply it to a wide range of topics.

Course structure. The course will focus on problems of democracy and economic development. The course opens with an examination of the basic logic of the approach. Because no integrated treatments of theory exist, it is necessary to learn the approach through the major papers on a set of disparate topics. Of necessity, this requires focusing in part on markets and firms. Thus, this section begins with the theory of the firm, focusing on the issue of the separation of ownership and control. Because delegation to managers potentially allows for managerial discretion, the institutions of the firm are designed to mitigate this effect.

Having developed the theoretical building blocks, we turn to politics. The first application focuses institutions in organizing the business of the United States Congress. We then turn to the role of political institutions in economic development. We will cover some subset of the following: (a) The institutions underpinning the organization of trade prior to the rise of the nation state, that is, prior to the rise of third party enforcement of contracts by the state; (b) the revolution in political institutions following the English Glorious Revolution of 1688; (c) the role of violence in development, including the role of institutions in preventing violence; and (d) the role of institutions in creating credible commitments that provide for development.

The next application focuses on creating political stability, something we all take for granted but which turns out to be different to achieve, as the Bush administration has learned the hard way in Iraq. We will devote two classes to the problem of democracy and democratic stability; one class to federalism; and another on the role of constitutions. In each case, we'll study the role of commitment problems. Recent works have begun to study how democratic and, more generally constitutions, become self-enforcing.

The final topic draws many lessons together to study the role of institutions increasing democratic and constitutional stability in the first 100 years of the United States. This includes the break down of American political stability in the Civil War. The thesis concerning the American Civil War focuses on the credible commitment by the North to honor rights in slaves throughout the early to mid-19th century. The formation of the Republican Party, though not abolitionists, meant the demise of the North's credible commitment. Secession occurred as soon as the Republicans had captured

all the relevant agenda mechanisms (both houses of Congress and the Presidency), leaving the South with no credible promise that its rights in slaves would be maintained.

Course requirements: (1) Students are required to attend each class session and participate fully in class discussions. Readings must be completed prior to each class. Although I rarely call on particular students, I expect each student to be prepared to begin the discussion of each reading with a short description of the main question and finding.

Additionally, each student will be responsible for developing a thirty-minute presentation on one of week's readings. Signups for this task will occur in the first class. The presentation should not be a summary of the assigned material. Rather, the presenter should outline the analytical approaches evident in the readings, critically review the major findings, and assess primary strengths and weaknesses in the week's literature.

(2) Writing. Students are required to write a major research paper that applies the logic developed in the course to a topic of their choice. The paper is due on the last class of the quarter. We will discuss format, length, and research for the paper in class. Quality of exposition matters! Students should choose a topic by the fourth week, turn in a three-page summary in the seventh week. Please note: This is a firm due date, and I rarely grant exceptions. If you can't meet this deadline, please don't take this class.

As a further note: In past years, students from have produced papers that were ultimately published. I hope you will become sufficiently interested to pursue your paper beyond the class.

Grading. Final grades will be determined by the following formula:

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|------------------------------|------|
| 1. Class participation | 25% |
| 2. Presentation during class | 25% |
| 3. Final paper | 50%. |

A final note: The readings are not designed to be representative of the major approaches found in particular fields (e.g., comparative politics). Instead, they are intended to show how the approach to institutions developed in the course can illuminate issues central to the field.

Course Outline:

I. Institutions in Politics, Economics, and History: Introduction (Class 1).

II. Theory of Institutions:

A. Class 2:

Klein, Crawford, and Alchian (1978) "Vertical Integration and Appropriable Quasi-Rents." *JLE*

Kreps (1990) "Corporate Culture" in Alt and Shepsle

Milgrom, North, and Weingast (1988) "The Law Merchant." *Economics and Politics*

Weingast (2003), "Rational Choice Institutionalism" in Katznelson and Milner, eds., *State of the Discipline*.

III. Congressional Institutions

Class 3:

Calvert (1995) "Rational Actors, Equilibrium, and Social Institutions," in Jack Knight and Itai Sened, ed., *Explaining Social Institutions*.

Cox and McCubbins (2006) *Setting the Agenda*

Rohde, Stiglitz, and Weingast (2008) Notes on "The Changing Industrial Organization of Congress"

Weingast & Marshall (1988) "Industrial Organization of Congress" *JPE*

IV. Political Economy of Development

Class 4: Political Economy of Development

Acemoglu and Robinson. (2006) "Economic Backwardness in Political Perspective" *APSR*

Bates (2000) *Prosperity and Violence*. Norton

Magaloni (2008) "Credible Power-Sharing and the Longevity of Authoritarian Rule"

North and Weingast (1989) "Constitutions and Commitment: Evolution of Institutions Governing Public Choice in 17th-Cent. England" *J. Ec History*

Class 5: North, Wallis, and Weingast, *Violence and Social Orders: A Conceptual Framework for Interpreting Recorded Human History* (2009)

IV. Constitutions, Credible commitments, and Political Stability

Class 6: Democracy I

- Acemoglu and Robinson (2000) "Why Did the West Extend Franchise? Democracy, Inequality and Growth in Historical Perspective" *QJE*
- Alberts (2004) "Subjecting Power to Rules" (Notes)
- Chacón Robinson, Torvic (2009) "When is Democracy an Equilibrium?: Theory and Evidence from Colombia's La Violencia"
- Olson (1993) "Dictatorship, Democracy, and Development." *American Political Science Review*
- Weingast (2008) "Rationality of fear" (Notes)

Class 7: Democracy II

- Fearon (2006) "Self-enforcing Democracy"
- Ober Weingast (2009a) "Corruption" (Notes)
- Ober Weingast (2009b) "Ancient Athens Democratization Game" (Notes)
- Przeworski (2006) "Self-enforcing Democracy" *Handbook of Political Economy*
- Weingast (1997) "Political Foundations of Democracy and the Rule of Law" *APSR*

Class 8: Federalism

- Riker (1964) *Federalism: Origins, Operations, and Significance*. Chs 1&2.
- deFigueiredo and Weingast (2005) "Self-Enforcing Federalism" *JLEO*
- Wallis, Sylla, and Legler (1994) "The Interaction of Taxation and Regulation in Nineteenth Century U.S. Banking," in Goldin and Libecap, *The Regulated Economy*
- Klerman (2009) "Jurisdictional Competition and the Evolution of the Common Law"

Class 9: Constitutions

- Elkins and Ginsburg, *Endurance of National Constitutions* (2009) available at: [**/zelkins/constitutions/lifespans/chapters/Submitted version Jan 09**](#)
- Greif (2005) *Institutions*, ch 10
- Hardin (2000) "Constitutionalism," *Handbook of Political Economy* (forthcoming)
- Weingast (2005), "The Self-Enforcing Constitution"

V. Integration

Class 10: The role of Institutions in the American Democratic Stability

- Rakove, Rutten, Weingast (2000) "Ideas, Interests, and Credible Commitments in the American Revolution"
- Weingast (2002) *Institutions and Political Commitment: A New Political Economy of the American Civil War Era*

