

Political Science 444
Comparative Political Economy in Democracies
Stanford University
Spring Quarter, 2008

Time: Wednesdays, 1:15-4:05 PM
Place: Building 200, Room 201
Instructor: Prof. Jonathan Rodden
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Office Hours: Tuesdays, 9 AM-12 PM
Encina Hall Central, Room 444

This course analyzes the paths through which preferences of individuals and groups are transformed into policies in democracies. We begin with a brisk review of theoretical approaches to questions of voting, majority rule, delegation and agency, cooperation, public goods, and the commons. We then analyze some of the key institutions through which preferences are aggregated in modern democracies: electoral systems, parties, parliaments, presidents, and federalism. We then examine the ways in which these institutions can shape incentives and ultimately outcomes. We focus on two broad classes of outcomes. First, why do some democracies redistribute more than others? Second, why are some better at producing collective goods than others?

In most modern democracies, wealth is distributed unequally across the population but the right to vote is not. For this reason, Aristotle described democracy as the “rule of the poor,” and throughout history, wealthy elites have assumed that democracies would be unable to protect private property, and hence would undermine prosperity. Yet democratization in the 19th and 20th centuries has not led to expropriation. Some democracies (e.g. Continental Europe) undertake much more redistribution of income than others (e.g. the United States), and these differences do not seem to be explained by initial cross-country variation in income inequality. Early critics of democracy had another concern: by encouraging too much self-seeking by individuals and interest groups, democracies would be unable to provide basic collective goods necessary for a peaceful and prosperous society. Here again, democracies seem to show considerable variation over time and across countries.

This course examines the ways in which the preferences of voters and the organization of interest groups interact with the incentives generated by political institutions to shape policy outcomes along both of these dimensions. The course also considers alternative causal paths, where preferences and the formation of interest groups are shaped in part by institutions, or where institutions themselves should be understood as the outcomes to be explained.

Assignments and grading

The course is meant to help students design empirical research projects, and the main assignment is a final analytical paper. Students will consult with the instructor about the topic, and informally present their work in progress throughout the term.

Students will also choose two weeks for which to write a short (2-3 pages) paper in reaction to the readings. This paper will form the basis for a more active role for the student in leading the week’s discussion. For example, the paper and resulting discussion might critique some aspect of the readings, discuss extensions, critical case studies, or potential empirical applications, entertain alternative

assumptions or approaches, or explore related questions that are left unaddressed by the readings. These papers will be circulated to the other students by Tuesday night.

Grading is as follows:

- Short papers: 15% each
- Participation: 20%
- Final paper: 50%

The following books can be purchased, but should also be available in the library.

- Daron Acemoglu and James A. Robinson. 2006. *Economic Origins of Dictatorship and Democracy*. Cambridge and New York: Cambridge University Press.
- Torsten Persson and Guido Tabellini, *Political Economics: Explaining Economic Policy*. Cambridge, MA: MIT Press.
- Kenneth Shepsle and Mark Bonchek. 1997. *Analyzing Politics: Rationality, Behavior, and Institutions*. New York: Norton.
- Arend Lijphart. 1999. *Patterns of Democracy: Government Forms and Performance in Thirty-Six Countries*. New Haven, CT: Yale University Press.
- Alberto Alesina and Edward Glaeser. 2005. *Fighting Poverty in the U.S. and Europe: A World of Difference*.
- Gary Cox. 1997. *Making Votes Count: Strategic Coordination in the World's Electoral Systems*. Cambridge: Cambridge University Press, chapters 1-4, 7, 8, 10-12, 15.
- Jose Antonio Cheibub. 2007. *Presidentialism, Parliamentarism, and Democracy*. Cambridge and New York: Cambridge University Press.

April 2 Introduction to the course

- Madison, James, *The Federalist No. 10*.
- Persson, Torsten and Guido Tabellini, *Political Economics*, Chapter 1.

April 9 Democracy, inequality, and growth

- Aristotle, *The Politics*, in Stephen Everson, ed., *Aristotle: The Politics and Constitution of Athens*. Cambridge: Cambridge University Press (1996). Read Book III, Chapters 6 – 12 (pages 69-80), Chapter 18 (page 91), Book IV, Chapters 1-2 (pages 91-94).
- Acemoglu, Daron and James A. Robinson. 2006. *Economic Origins of Dictatorship and Democracy*, Chapters 1-6.
- Przeworski, Adam and Fernando Limongi, "Political Regimes and Economic Growth," *Journal of Economic Perspectives* 7, 3 (1993): 51-69.
- Przeworski, Adam and Fernando Limongi, "Modernization: Theories and Facts," *World Politics* 49 (January 1997): 155-193.

- Przeworski, Adam. "Democracy as an Equilibrium." *Public Choice* 123, 3-4:253-73.
- Lindert, Peter, "Voice and Growth: Was Churchill Right?" *Journal of Economic History* 63, 2 (June 2003): 315-350.
- Olson, Mancur, "Big Bills Left on the Sidewalk: Why Some Nations are Rich, and Others Poor," *Journal of Economic Perspectives* 10, 2 (1996): 3-24.
- RECOMMENDED: Acemoglu, Daron, Simon Johnson and James Robinson, "The Colonial Origins of Comparative Development: An Empirical Investigation," December 2001, *American Economic Review* 91, pp. 1369-1401.
- RECOMMENDED: Ansell, Ben and David Samuels. 2008. "Inequality and Democratization." Working paper, University of Minnesota.
- RECOMMENDED: Persson, Torsten and Guido Tabellini. 2007. "Democratic Capital: The Nexus of Political and Economic Change." Working paper, Universita Bocconi.

April 16

Analytic building blocks for the study of democracy

- Shepsle and Bonchek, *Analyzing Politics*. Chapters 1-6 and 8-10.
- Persson and Tabellini, *Political Economics*. Chapters 2-6.
- Manin, Bernard, Adam Przeworski, and Susan Stokes, "Elections and Representation," chapter 1 in Przeworski, et al., *Democracy, Accountability, and Representation*. Cambridge: Cambridge University Press (1999), pages 29-54.

April 23

Electoral and party systems

- Cox, Gary W. 1997. *Making Votes Count: Strategic Coordination in the World's Electoral Systems*. Cambridge: Cambridge University Press, chapters 1-4, 7, 8, 10-12, 15.
- Lijphart, Arend, *Patterns of Democracy: Government Forms and Performance in 36 countries*. Chapters 1-8.
- RECOMMENDED: Duverger, Maurice. 1954. *Political Parties: Their Organization and Activity in the Modern State*. New York: Wiley. Book 2: "Party Systems."

April 30

Horizontal and vertical organization of government

First hour: Presidential vs. parliamentary government

- Lijphart, Arend, ed., *Parliamentary versus Presidential Government* (Oxford: 1992). Read the following chapters and short excerpts:

- Verney, Douglas, "Parliamentary Government and Presidential Government," (Chapter 1).
- Montesquieu, selection from *The Spirit of the Laws* (Chapter 2).
- Madison, James, *The Federalist* Nos. 47, 48 (Chapter 3).
- Hamilton, Alexander, *The Federalist* No. 70 (Chapter 4).
- Bagehot, Walter, "The English Constitution: The Cabinet" (Chapter 6).
- Wilson, Woodrow, "Committee or Cabinet Government?," (Chapter 7).
- Laski, Harold J., "The President and Congress" (Chapter 8).
- Mainwaring, Scott, "Presidentialism in Latin America" (Chapter 13).
- Linz, Juan, "The Perils of Presidentialism" (Chapter 14).
- Riggs, Fred, "Presidentialism: A Problematic Regime Type" (Chapter 32).
- Powell, G. Bingham, "Contemporary Democracies: Participation, Stability, and Violence," (Chapter 33).
- Jose Antonio Cheibub. 2007. *Presidentialism, Parliamentarism, and Democracy*. Cambridge and New York: Cambridge University Press.
- Persson and Tabellini, *Political Economics*, chapter 10.

Second hour: Federalism and decentralization

- Weingast, Barry. 1995. "The Economic Role of Political Institutions: Market-Preserving Federalism and Economic Development," *Journal of Law, Economics, and Organization* 11: 1.
- Weingast, Barry. 2008. "Second Generation Fiscal Federalism." Working paper, Stanford.
- Rodden, Jonathan. 2004. "Comparative Federalism and Decentralization: On Meaning and Measurement." *Comparative Politics* 36, 4.
- Rodden, Jonathan. 2006. "The Political Economy of Federalism," in Barry Weingast and Donald Wittman, eds., *Oxford Handbook of Political Economy*. Oxford: Oxford University Press.

May 7

Redistribution

- Lind, Jo Thori. 2005. "Why is there so little redistribution?" *Nordic Journal of Political Economy* 31: 111-125.
- Alesina, Alberto and Edward Glaeser. 2004. *Fighting Poverty in the U.S. and Europe: A World of Difference*. Oxford: Oxford University Press.

- Lindert, Peter. *Growing Public Social Spending and Economic Growth since the Eighteenth Century*. Cambridge: Cambridge University Press (2004), Chapters 1-4, 7, 13.
- Iversen, Torben and David Soskice. 2006. "Electoral Institutions and the Politics of Coalitions: Why Some Democracies Redistribute More than Others." *American Political Science Review* 100, 2 (May): 165-181
- Kenneth Scheve and David Stasavage. 2008. "Institutions, Partisanship, and Inequality in the Long run." Working paper, Yale and NYU.

May 14

Who Gets What? Interest groups, geography, and pork

- Ramseyer, Mark and Frances Rosenbluth, *Japan's Political Marketplace*. Cambridge, MA: Harvard (1993), chapter 2 (pages 16-37).
- Ames, Barry, "Electoral Rules, Constituency Pressures, and Pork Barrel: Bases of Voting in the Brazilian Congress," *The Journal of Politics* 57 (1995) p. 324-43.
- Alston, Lee and Bernardo Mueller. "Pork for Policy: Executive and Legislative Exchange in Brazil." *Journal of Law, Economics, and Organization* 22, 1: p. 87-114.
- McGillivray, Fiona. 1997. "Party Discipline as a Determinant of the Endogenous Formation of Tariffs." *American Journal of Political Science* 41, 2 (April), p. 584-607.
- Grossman, Gene and Elhanan Helpman. 2005. "Party Discipline and Pork-Barrel Politics." Working paper, Princeton/Harvard.
- Cox, Gary and Matthew McCubbins. 1986. "Electoral Politics as a Redistributive Game." *Journal of Politics* 48, p. 370-89.
- Dixit, Avinash and John Londregan. 1996. "The Determinants of Success of Special Interests in Redistributive Politics." *Journal of Politics* 58, 4: p. 1132-55.
- Dahlberg, Matz and Eva Johansson. 2002. "On the Vote-Purchasing Behavior of Incumbent Governments," *American Political Science Review* 96, 1.
- Levitt, Steven and James Snyder. 1995. "Political Parties and the Distribution of Federal Outlays." *American Journal of Political Science* 39, 4: 958-80.
- Levitt, Steven and James Snyder. 1997. "The Impact of Federal Spending on House Election Outcomes." *Journal of Political Economy* 105, 1: 30-53.

- Larcinese, Valentino, James Snyder, and Cecilia Testa. 2006. "Testing Models of Distributive Politics Using Exit Polls to Measure Voter Preferences and Partisanship." Working paper, LSE.
- RECOMMENDED: Sole-Olle, Albert and Pilar Sorribas-Navarro. 2008. "The Effects of Partisan Alignment on the Allocation of Intergovernmental Transfers: Differences-in-Differences Estimates for Spain." IFIR Working Paper
- RECOMMENDED: Stiglitz, Edward and Barry Weingast. 2008. "Distributive and Ideological Policies in the U.S. House." Working Paper, Stanford.

May 21

Institutions, parties, and fiscal outcomes

- Besley, Timothy and Anne Case. 2003. "Political Institutions and Policy Choices: Evidence from the United States." *Journal of Economic Literature* XLI (March): pages 7-73.
- Persson, Torsten and Guido Tabellini, *Political Economics*. Chapters 8-9.
- Persson, Torsten and Guido Tabellini. 2003. *The Economic Effects of Constitutions*. MIT Press. Chapter 6-7.
- Persson, torsten, Gerard Roland, and Guido Tabellini. 2008. "Electoral Rules and Government spending in Parliamentary Democracies." Forthcoming, *Quarterly Journal of Political Science*.
- Roubini, Nouriel and Jeffrey Sachs, "Political and Economic Determinants of Budget Deficits in the Industrial Democracies," *European Economic Review* 33 (1989): 903-938.
- Henisz, Witold, "The Institutional Environment for Economic Growth," *Economics and Politics* 12, 1: 1-31.

[BRIEF IN-CLASS DISCUSSION OF FINAL PAPER TOPICS]

May 28

Endogenous institutions

- Przeworski, Adam. 2007. "Is the Science of Comparative Politics Possible?" *Oxford Handbook of Comparative Politics*, Edited by Calres Boix and Susan Stokes.
- Boix, Carles. 1999. "Setting the Rules of the Game: The Choice of Electoral Systems in Advanced Democracies." *American Political Science Review* 93, 3: 609-624.

- Andrews, Josephine and Robert Jackman. 2005. "Strategic Fools: Electoral Rule Choice under Extreme Uncertainty." *Electoral Studies* 24: 65-84.
- Alesina, Alberto and Edward Glaeser. 2005. *Fighting Poverty in the U.S. and Europe: A World of Difference*. Chapter 5.
- Ticchi, Davide and Andrea Vindigni. 2005. "Endogenous Constitutions." Unpublished paper, Princeton University.
- Cusack, Thomas, Torben Iversen, and David Soskice. 2007. "Economic Interests and the Origins of Electoral Systems." *American Political Science Review* 101, 3: 373-91.
- Rodden, Jonathan. 2008. "Back to the Future: Endogenous Institutions in Comparative Politics." Forthcoming in *Comparative Politics: Rationality, Culture, and Structure*, edited by Mark Lichbach and Alan Zuckerman. Cambridge and New York: Cambridge University Press.

June 4

Presentations of student papers