

Econ 221: Political Economy II

Empirical Approaches to Political Economics

Stanford University
Winter 2009

Lecture: MW 9:20-10.50, Landau 206

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Course Objectives

This course aims to provide an overview of current topics in applied political economics. It provides an introduction to a diverse set of areas such as political development, the causes of wars, economic voting behavior, the role of the media in shaping policy and the impact of networks on various social outcomes. This is primarily a reading course and students are expected to critically engage the current literature in political economics through class discussions. Additionally, it aims to prepare students for independent research in one of the most active and exciting areas on economics and encourage students to take the first steps towards initiating an original project in political economics.

While we will pay close attention to economic models, the focus of this course is on the empirical approaches used by the different authors to answer the questions of interest. We will look at how authors use data and econometric models to provide evidence. This is an applied economics course, not an econometric theory course and the interest is on how political economists use a wide range of econometric tools, from instrumental variables to regression discontinuity to estimate economic models.

Pre-requisites

The course has no pre-requisites beyond a basic appreciation of empirical methods at the level of Econ 102B or the willingness to learn more about the basic tools used in applied economics. It is open to both graduates and undergraduates. The course is also offered as part of a sequence together with Econ 220.

Course Requirements

Course credit is given for class participation (50%) and a final project (50%). Students are required to read the assigned papers before class and actively participate in the discussion. Each student will be assigned one or more papers for which he/she will lead the discussion. Students should aim to identify the main substantive contribution of each paper and evaluate the methods used to provide evidence for it. Particular focus should be given to the critical analysis of the results and methods used to derive them.

The final project can consist of either of the following:

- A short applied research note on a topic in political economics similar to a note published in *Economics Letters*
- A replication of some of the main results in an existing paper in political economics. The student is responsible for identifying the paper, obtaining the data and code and replicating some of the main tables in the paper
- An extension to a theoretical model which may provide the basis of a later paper
- A detailed outline or proposal for an original paper to be written at a later stage. The proposal should be detailed enough to contain an exposition of the importance of the chosen topic, a brief review of the related literature and some preliminary results. The preliminary results can take the form of a model outline or data summary and preliminary analysis
- Referee reports on three political economics papers published recently in a top journal

The final project will consist of a short written report of no more than 5-10 pages and a presentation to be delivered in class during the last week of the quarter.

Course Outline

Week	Dates	Description
1	Jan 7	Introduction to Political Economics
2	Jan 12, 14	Democratization and Development
3	Jan 21	<i>Project Presentations 1; (Jan 19, no class)</i>
4	Jan 26, 28	Civil War
5	Feb 2, 4	Political Experiments
6	Feb 9, 11	Economic Voting
7	Feb 18	<i>Project Presentations 2; (Feb 16, no class)</i>
8	Feb 23, 25	Policy and Media
9	March 2, 4	Networks and Social Outcomes
10	March 9, 11	<i>Final Project Presentations</i>

Reading List

Acemoglu, D. and J. Robinson (2006), *Economic Origins of Dictatorship and Democracy*, Cambridge University Press.

Besley, T. (2007), *Principled Agents?: The Political Economy of Good Government*, Oxford University Press.

Collier, P., V. L. Elliott, H. Hegre, A. Hoeffler, M. Reynal-Querol, and N. Sambanis (2003) *Breaking the Conflict Trap: Civil War and Development Policy*, Copublication of the World Bank and Oxford University Press.

Duch, R. (2008) *The Economic Vote: How Political and Economic Institutions Condition Election Results*, Cambridge.

Gelman, A. et. al. (2008) *Red State, Blue State, Rich State, Poor State: Why Americans Vote the Way They Do*, Princeton University Press.

McCarty, N., K. T. Poole and H. Rosenthal (2006) "Polarized America: The Dance of Ideology and Unequal Riches", MIT Press.

Torsten, P. and G. Tabellini, (2002), *Political Economics: Explaining Economic Policy*, MIT Press.

Democratization and Development

1. Barro, R. J. (1999) "The Determinants of Democracy," *Journal of Political Economy*, 107, 158-183.
2. Barro, R. J. (1996) "Democracy and Development," *Journal of Economic Growth*, 1:1-27.
3. Jones, B., and B. Olken (2006) "Do Leaders Matter?" *Quarterly Journal of Economics*, 120, 835-864.
4. Besley, T. and M. Kudamatsu, (2006), "Health and Democracy", *American Economic Review*, 96, 313-318.
5. Giavazzi, F. and G. Tabellini, (2005), "Economic and Political Liberalizations", *Journal of Monetary Economics*, 52, 1297-1330.
6. Torsten, P. and G. Tabellini, (2006), "Democracy and Development: The Devil in the Details", *American Economic Review*, 96, 319-324.

7. Acemoglu, D., S. Johnson, J. A. Robinson and P. Yared (2007) "Income and Democracy," *American Economic Review*, 98(3), 808-842 .
8. Alexander, M., M. Harding and C. Lamarche (2008) "The Political Economy of Heterogenous Development: Quantile Effects of Income and Education," Working Paper, Harvard University.
9. Acemoglu, D., S. Johnson, J. A. Robinson, and P. Yared (2005), "From Education to Democracy?" *American Economic Review Papers and Proceeding* 95(2), 44-49
10. Acemoglu, D., S. Johnson, J. A. Robinson, and P. Yared (2007) "Reevaluating the Modernization Hypothesis," Working Paper, MIT.

Civil War

1. Blattman, C. and E. Miguel (2008) "Civil War", *Journal of Economic Literature*, forthcoming.
2. Collier, P. and A. Hoeffler (2004) "Greed and Grievance in Civil Wars," *Oxford Economic Papers New Series*, 56:563-95.
3. Fearon, James D. and David D. Latin (2003) "Ethnicity, Insurgency, and Civil War," *American Political Science Review*, 97:1, 75-90.
4. Miguel, E. et. al. (2004) "Economic Shocks and Civil Conflict: An Instrumental Variables Approach", *Journal of Political Economy* 112(4), 725-753.
5. Besley, T. and T. Persson (2008) "The Incidence of Civil War: Theory and Evidence", NBER Working Paper 14585.
6. Besley, T. and T. Persson (2008), "The Origins of State Capacity: Property Rights, Taxation and Politics", forthcoming in the *American Economic Review*.
7. Besley, T. and T. Persson (2008), "State Capacity, Conflict and Development", paper underlying Persson's 2008 Presidential address to the Econometric Society.
8. Besley, T. and T. Persson (2009), "Repression or Civil War?", forthcoming in *American Economic Review, Papers and Proceedings*.
9. Besley, T. and T. Persson (2008), "Wars and state capacity", *Journal of the European Economic Association* 6, 522-530.
10. Abadie, A. and J. Gardeazabal (2003). "The Economic Costs of Conflict: A Case Study of the Basque Country." *American Economic Review* 93(1): 113-132.

Political Experiments

1. Duflo, E. (2006) "Field Experiments in Development Economics", MIT mimeo.
2. Olken, B. (2007) "Monitoring Corruption: Evidence from a Field Experiment in Indonesia", *Journal of Political Economy* 115 (2), pp. 200-249.
3. Olken, B. (2008) "Direct Democracy and Local Public Goods: Evidence from a Field Experiment in Indonesia", November 2008, NBER Working Paper #14123.
4. Alexander, M. and F. Cristia (2008) "An Experimental Study of Institutions and Ethnic Cooperation in the Aftermath of a Civil War", MIT working paper.
5. Wantchekon, L. (2008) "Clientelism and Voting Behavior: Evidence from a Field Experiment in Benin", *World Politics*, forthcoming.
6. Fisman, R. and E. Miguel (2007) Corruption, Norms and Legal Enforcement: Evidence from Diplomatic Parking Tickets, *Journal of Political Economy*, 2007, 115(6), 1020-1048.
7. Gerber, A. S., D. P. Green and C. W. Larimer (2008) "Social Pressure and Voter Turnout: Evidence from a Large-Scale Field Experiment," *American Political Science Review* 102: 1.
8. Jones, B. and B. Olken (2008) "Hit or Miss? The Effect of Assassinations on Institutions and War ", *American Economic Journal: Macroeconomics*, forthcoming.
9. Snowberg, E., J. Wolfers and E. Zitzewitz (2007), "Partisan Impacts on the Economy: Evidence from Prediction Markets and Close Elections", *Quarterly Journal of Economics* 122(2), 807-829.
10. Krueger, A. and A. Mas (2004), "Strikes, Scabs and Tread Separations: Labor Strife and the Production of Defective Bridgestone/Firestone Tires," *Journal of Political Economy*, Vol. 112, Num. 2, pp. 253-289.

Economic Voting

1. Alesina, A. and N. Roubini (1992) "Political Cycles in OECD Economies", *Review of Economic Studies*, 59, pp.663-688.
2. Levitt, S. (1994) "Using Repeat Challengers to Estimate the Effect of Campaign Spending on Election Outcomes in the U.S. House", *Journal of Political Economy* Vol. 102, Num. 4, pp. 777-797.
3. Besley, T. and A. Case, "Does Electoral Accountability Affect Economic Policy Choices? Evidence from Gubernatorial Term Limits", *Quarterly Journal of Economics*, Vol. 110, Num. 3, pp. 769-798.

4. Stromberg, David, "How the Electoral College Influences Campaigns and Policy: The Probability of Being Florida", forthcoming *American Economic Review*.
5. Everson P., R. Valelly, and J. Wiseman (2008) "NOMINATE and American Political History: A Primer", mimeo.
6. Heckman, J. J. and J. M. Snyder (1997): "Linear Probability Models of the Demand for Attributes with An Empirical Application to Estimating the Preferences of Legislators," *RAND Journal of Economics*, 28, 142-189.
7. Harding, M. C. (2006) "Agreement Beyond Polarization: Spectral Network Analysis of Congressional Roll Call Votes," Working Paper, Stanford University.
8. Imbens, G. and T. Lemieux (2008), "Regression Discontinuity Designs: A Guide to Practice", *Journal of Econometrics*, Vol. 142(2), pp. 615-635.
9. Pettersson-Lidbom, P. and B. Tyrefors,(2008) "The Policy Consequences of Direct versus Representative Democracy: A Regression Discontinuity Approach", mimeo.
10. Butler, D. (2008) "Do Voters Discriminate Against Female Candidates in Primary Elections? A Regression Discontinuity Analysis", mimeo.

Policy and Media

1. Besley, T and R Burgess (2002), "The Political Economy of Government Responsiveness: Theory and Evidence from India", *Quarterly Journal of Economics*, 117, 1415-1451.
2. Besley, T and A Prat (2006) "Handcuffs for the Grabbing Hand? Media Capture and Government Accountability", *American Economic Review*
3. Brunetti, A and B Weder (2003), "A Free Press Is Bad News for Corruption", *Journal of Public Economics*, 87, 1801-1824.
4. Della Vigna, S. and E. Kaplan (2007), "The Fox News Effect: Media bias and voting", *Quarterly Journal of Economics*, August 2007.
5. Djankov, S, C McLiesh, T Nenova, and A Shleifer (2003), "Who Owns the Media?", *Journal of Law and Economics*, 46, 341-383.
6. Eisensee, T. and D. Strömberg (2007) "News Floods, News Droughts, and U.S. Disaster Relief", *Quarterly Journal of Economics*, 122(2).
7. George, L. M. and J. Waldfogel (2006) "The New York Times and the Market for Local Newspapers", *American Economic Review*, Volume 96, Number 1, pp. 435-447(13).

8. Gentzkow, M. and J. Shapiro (2007) "What Drives Media Slant? Evidence from U.S. Daily Newspapers", mimeo.
9. Gerber, Alan S., Karlan, D., and D. Bergan (2006) "Does The Media Matter? A Field Experiment Measuring The Effect of Newspapers on Voting Behavior and Political Opinions", Yale mimeo.
10. Fowler, J. (2008) "The Colbert Bump in Campaign Donations: More Truthful Than Truthy ", *PS: Political Science & Politics*, 41 (3): 533-539.

Networks, Genes and Social Outcomes

1. Durlauf, S. and M. Fafchamps (2004) "Social Capital", NBER Working Paper 10485.
2. DiGiorgi, G. and M. Angelucci (2008) "Indirect Effects of an Aid Program: How do Cash Transfers Affect Non-Eligibles' Consumption?", *American Economic Review*, forthcoming.
3. Ambrus, A., M. Mobius, and A. Szeidl (2008) "Consumption Risk-sharing in Social Networks", Harvard mimeo.
4. Christakis, N. and J. Fowler (2007), "The Spread of Obesity in a Large Social Network Over 32 Years," *New England Journal of Medicine* 357 (4): 370-379.
5. Christakis, N. and J. Fowler (2008), "Dynamic Spread of Happiness in a Large Social Network: Longitudinal Analysis Over 20 Years in the Framingham Heart Study", *British Medical Journal* 337.
6. Fowler, J., T. Johnson, J. F. Spriggs II, S. Jeon, P. J. Wahlbeck (2007) "Network Analysis and the Law: Measuring the Legal Importance of Supreme Court Precedents", *Political Analysis*, 15 (3): 324-346.
7. Benjamin, D. J., C. F. Chabris, E. L. Glaeser, V. Gudnason, T. B. Harris, D. I. Laibson, L. Launer, and S. Purcell (2007) "Genoeconomics." in eds. Maxine Weinstein, James W. Vaupel, and Kenneth W. Wachter, *Biosocial Surveys*, National Research Council of the National Academies.
8. Norton, E. and E. Han (2008) "How Smoking, Drugs, and Obesity Affect Education, Using Genes as Instruments", mimeo.
9. Fowler, J. and D. Schreiber (2008) "Biology, Politics, and the Emerging Science of Human Nature", *Science* 322 (5903): 912-91, November.
10. Fowler, J. and C. T. Dawes (2008) "Two Genes Predict Voter Turnout", *Journal of Politics* 70 (3): 579-594.