

POL SCI 745
Political Economy Core
Spring 2019

Instructor: Prof. Daniel Stegmueller (ds381@duke.edu)

Class Time and Location: Lectures: M 10:05am to 12:35am, Biological Sciences 113.

Office Hours: Wednesday, 2 to 4pm, Gross Hall 294K.

1 Course description

This course has three goals: First, to introduce you to the foundational theoretical perspectives and empirical results that inform contemporary work in the field. Second, to provide a sense of where the ‘research frontiers’ in political economy are today, so that you are able to develop your own research questions and contributions. Third, we will try to strike a balance between doing research competently and asking interesting and questions. Most of you are building up your technical skill set. These skills are only productive if you have the ability to identify core substantive problems to which to apply them. To this end, we will pay close attention to linkages between theory, research strategy, and data throughout the seminar.

The course is organized in three sections: The first section (Foundations) introduces key concepts in political economy, examines states and markets as means of allocating resources, and addresses some basic methodological issues. The second section (PE of Democracy) turns to analyze the origins and politico-economic implications of different forms of organizing political authority in society. We study the political economy of regime change, how preferences are formed and how diverse interests are aggregated into collective choices. The third section (Applications) focuses on how these institutional differences play out in a number of policy spheres, including macroeconomic outcomes, trade, and distributive politics.

Each week we will focus on about 5 readings, which we will discuss in detail. The readings try to combine classics, standard, and frontier pieces within each subfield to convey a sense of the intellectual evolution of specific research programs. The success of the course depends on you having engaged with the readings in depth.

2 Meeting schedule

January 9th: Inaugural meeting. [*Wednesday*]

1. Part I: Foundations:

(a) *January 14th:* What is PE? Theory, Evidence, and Policy

January 21st: no class [MLK day]

(b) *January 28th: States, Markets, and Economic Growth*

(c) *February 4th: State Authority and Fiscal Capacity*

2. Part II: PE of Democracy

(a) *February 11th: Democratization*

(b) *February 18th : Preference Formation*

(c) *February 25th: Democratic Competition & Preference Aggregation*

(d) *March 4th: Interest Representation, Bureaucracy, Capture*

March 11th: no class [Spring Recess]

3. Part III: Applications

(a) *March 18th: Politics and the Macroeconomy*

(b) *March 25th: Trade and its Political Effects*

(c) *April 1st: Inequality& Politics I: Redistribution and Social Mobility*

(d) *April 8th: Inequality& Politics I: Political Effects*

(e) *April 15th: Closing session: Paper Presentation*

3 Requirements

3.1 Research paper [65%]

Discussion and Set-up [25%] The very first task in producing new research is to motivate it. This involves identifying a gap in a literature or set of literatures, and justifying the expected payoff of the research efforts you are about to undertake. Typically, this involves identifying a puzzle. A puzzle could take the form of a logical inconsistency in an argument or, more commonly, a discrepancy between a theoretical expectation and an observable empirical pattern. To get to this point requires: (1) to master the literature you are engaging with, and (2) to establish the unexplained empirical phenomena worthy of explanation. These are the tasks you are expected to perform in this first iteration of the final paper. The goal is for you to *learn by doing* how to write a research paper. If you are a PhD student, this effort might get you started on your prelim paper (due in the third year). The discussion and set-up paper is due on [March 7th 2019](#), right before Spring break.

Argument and Empirical Strategy [40%] Beyond the stage of formulating innovative research questions, you have to be able to lay out a strategy to answer them, both theoretically and empirically. To this end, you will devote the second half of the semester to develop *your argument* to answer the puzzle previously identified and to think about a strategy to assess the empirical implications that follow. Coming up with a research design means linking theory and data: What is the exogenous variable of interest? What is to be held constant? How? What are the advantages and limitations of the data and empirical strategy you employ? What possible alternative strategies could help you address the most pressing problems you are facing? You should be clear about your theory, data availability/collection, and your empirical strategy.

In writing proposals, both substance and style matter. Be focused, and selective. Use active voice. Spell-check & proofread. The following three pieces (all available online) provide inspiration on how to approach and structure your writing:

- James A. Stimson (n.d.): Professional Writing for Political Science: A Highly Opinionated Essay
- Paul Krugman (1993): How I Work
- Barry Weingast (1995): Caltech Rules For Writing Papers: How To Structure Your Paper And Write An Introduction.

Your final research paper is due on [May 1st 2019](#).

3.2 A journal referee report [10%]

A two-page, single-spaced “referee report” reviewing an article either (i) chosen from this syllabus, (ii) chosen by you (please consult with me beforehand). Your review should eschew summary in favor of critically evaluating the paper. The basic goal is to make a *motivated* recommendation as to whether or not the paper should (have been) published. You should support your evaluation with a discussion of theory, method, data, etc. This review paper is due on [March 25th](#). For some advice on how to write a peer review, see: Miller, Pevehouse, Tingley, Rogowski and Wilson: ‘How to be a Peer Reviewer: A Guide for Recent and Soon-to-be Ph.Ds’. *PS: Political Science and Politics*, January 2013. Those who received a grade lower than A- need to write a second referee report on a different article.

3.3 One replication exercise [25%]

You will conduct a replication and extension of an empirical analysis in the literature. Replications/extensions should replicate results from a paper, check for robustness (by, for instance, analyzing subsamples, estimating models using different assumptions, etc), and engage in at least one extension. You will provide 10-minute presentations of these exercises. Your replication report is due on [April 8th](#).

3.4 Participation

You will be expected to have done all the required readings in advance of each class. Though sessions will begin with a short lecture, class sessions will be conducted in a highly participatory seminar format. To ensure full participation, you are required to send discussion points/questions bearing on the week’s readings to everyone by 8 PM Sunday (length: about half a page). You can raise questions about theory, method, point out conflicts between readings, develop links with previous weeks’ readings, etc.

4 Policy

You are required to attend class and have done the readings in advance. Unless you have a well-documented reason (e.g., hospitalization over a week), absence in two or more classes will result in a B+ or lower grade. Turning in late assignments is not acceptable unless extenuating circumstances apply and those are previously discussed with me. In any event of academic dishonesty, Duke’s policies apply.

5 Readings

I. Foundations

[1a] Theory, Evidence, and Policy (*January 14th*)

- Friedman, Milton. 1966. 'The Methodology of Positive Economics' In *Essays In Positive Economics*. University of Chicago Press, pp. 3-16, 30-43.
- Huber, John. 2013. 'Is theory getting lost in the 'identification' revolution?' in *The Political Economist*.
- Teele, D.L. (ed.) 2014 *Field Experiments and their Critics*, Yale University Press (chapters by Gerber, Green, and Kaplan; Stokes; Deaton; Gelman; Imai)
- Heckman, J.J. 2005. The Scientific Model of Causality. *Sociological Methodology* 35(1): 1-97.
- Heckman, J.J. and E. Vytlacil. 2001. Policy-Relevant Treatment Effects. *American Economic Review* 91(2): 107-111.
- Tirole, Jean. 2017. *Economics for the Common Good*. Princeton University Press, chapters 1, 2, and 6

[1b] States, Markets, and Economic Growth (*January 28th*)

- Barro, R.J. and X. Sala-i-Martin. 2003. *Economic Growth*. MIT Press. Pages 1-72.
- Acemoglu, D., S. Johnson and J. Robinson. 2002. 'Reversal of Fortune: Geography and Institutions in the Making of the Modern World Income Distribution'. *Quarterly Journal of Economics* 117(4): 1231-1296.
- Krugman, P. 1991. *Geography and Trade*. MIT Press.
- Banerjee, A. and L. Iyer. 2005. 'History, Institutions, and Economic Performance: The Legacy of Colonial Land Tenure Systems in India.' *American Economic Review* 95(4): 1190-1213.
- Dell, M. 2010. The Persistent Effects of Peru's Mining Mita. *Econometrica* 78(6): 1863-1903.

[1c] State Authority and Fiscal Capacity (*February 4th*)

- Besley, T. and T. Persson. 2009. 'The origins of state capacity: Property Rights, Taxation, and Politics'. *American Economic Review* 99(4): 1218-44.
- Berwick, E. and C. Fotini. 2018. 'State Capacity Redux: Integrating Classical and Experimental Contributions to an Enduring Debate'. *Annual Review of Political Science* 21: 71-91
- Beramendi, Dincceco, and Rogers. 2019. 'Intra-elite Competition and Long Run Fiscal Development' *Journal of Politics* 81(1) [online first].
- Mares, I. and D. Queralt. 2015. 'The Non Democratic Origins of Income Taxation' *Comparative Political Studies* 48(14): 1974-2009.
- Alesina, A. and E. Spolaore. 2005. 'War, Peace and the Size of Countries'. *Journal of Public Economics* 89(7): 1333-1354.
- Boix, C. 2015. *Political Order and Inequality*. Cambridge University Press.
- Levi, M. 1988. *Of Rule and Revenue*. University of California Press.

II. PE of Democracy

[2a] Democratization (*February 11th*)

- Albertus, M. and V. Gay 2017 'Unlikely Democrats: Economic Elite Uncertainty under Dictatorship and Support for Democratization'. *American Journal of Political Science* 61(3): 624-41.
- Ansell, B. and D. Samuels. 2014. *Inequality and Democratization: An Elite Competition Approach*. Cambridge University Press.
- Boix, C. and S. Stokes. 2003. 'Endogenous Democratization.' *World Politics* 55: 517-49.
- Olson, M. 1993. 'Dictatorship, Democracy, and Development' *American Political Science Review* 87(3): 567-76.

[2b] Preference Formation (*February 18th*)

- Varian, V. 1980. 'Redistributive Taxation as Social Insurance'. *Journal of Public Economics* 14(1): 49-68.
- Alt, J. and T. Iversen. 2017. 'Inequality, Labor Market Segmentation and Preferences for Redistribution'. *American Journal of Political Science* 61(1): 21-36.
- Fehr, E. and K. Schmidt. 1999. 'A Theory of Fairness, Competition, and Cooperation'. *Quarterly Journal of Economics* 114(3): 817-68.
- Dimick, M., D. Rueda, and D. Stegmüller. 2016. 'The Altruistic Rich? Inequality and Other-Regarding Preferences for Redistribution'. *Quarterly Journal of Political Science* 11: 385-439.
- Tirole, J. 2017. *Economics for the Common Good*. Princeton University Press. Ch. 5
- Tversky, A. and D. Kahneman. 1981. The Framing of Decisions and the Psychology of Choice. *Science* 211: 453– 58.

[2c] Democratic Competition & Preference Aggregation (*February 25th*)

- Austen-Smith, D. 2000. 'Redistributing Income under Proportional Representation'. *Journal of Political Economy* 108(6): 1235-1269.
- Cox, G. 1997. *Making Votes Count: Strategic Coordination in the World's Electoral Systems*. Cambridge University Press. Ch. 1-2.
- Lizzeri, A. and N. Persico. 2004. 'Why did Elites extend the suffrage? Democracy and the Scope of Government [...]', *Quarterly Journal of Economics* 119(2): 707-765.
- Meltzer, A. and S. Richard. 1981. 'A Rational Theory of the Size of Government.' *Journal of Political Economy* 89(5): 914-927.
- Milanovic, B. 2000. 'The Median-Voter Hypothesis, Income Inequality, and Income Redistribution: An Empirical Test with the Required Data.' *European Journal of Political Economy* 16: 367-410.
- Ernesto C. and J. Rodden. 2015. 'The Achilles Heel of Plurality Systems: Geography and Representation in Multiparty Democracies'. *American Journal of Political Science* 59(4): 789-805.
- Anthony Downs. 1957. *An Economic Theory of Democracy*. Harper. (background)
- Susan C Stokes, et al. 2013. *Brokers, Voters, and Clientelism. The Puzzle of Distributive Politics*. Cambridge University Press. (background)

[2d] Interest Representation, Bureaucracy, and Capture (March 4th)

- Dixit A. and J. Londegran. 1996. 'The Determinants of Success of Special Interests in Redistributive Politics' *Journal of Politics* 58: 1132-1155.
- Grossman, G. M., and E. Helpman. 1994. 'Protection for Sale'. *American Economic Review* 84(4): 833-850.
- Campante, F.R. 2011. 'Redistribution in a model of voting and campaign contributions.' *Journal of Public Economics* 95(7-8): 646-656.
- Ansolabehere S., et al. 2003. 'Equal Votes, equal money: Court-ordered Redistricting and Public Expenditures in the American States'. *American Political Science Review* 96(4): 767-777.
- Becher, M. and D. Stegmueller. 2019. 'Labor Unions and Unequal Representation'. Manuscript.
- Querubin, P. and J. Snyder. 2013. 'The Control of Politicians in Normal Times and Times of Crisis: Wealth Accumulation by U.S. Congressmen, 1850-1880'. *Quarterly Journal of Political Science* 8: 409-450.
- Robinson, J. and T. Verdier. 2013 'The Political Economy of Clientelism'. *Scandinavian Journal of Economics* 115(2): 260-91.
- Olson, M. 1965. *The Logic of Collective Action*. Harvard University Press (background)
- Ch. 6 and 7 in A. Przeworski. *States and Markets* (background)

III. Applications**[3a] Politics and the Macroeconomy (March 18th)**

- Alesina, A et al. 1997. *Political Cycles and the Macroeconomy*. MIT Press. Ch. 1-4, 6.
- Blinder, A.S. and M.W. Watson. 2016. 'Presidents and the US Economy: An Econometric Exploration.' *American Economic Review* 106(4): 1015-45.
- Canes-Wrone, B. and J.K Park. 2012. 'Electoral Business Cycles in OECD Countries.' *American Political Science Review* 106(1): 103-122.
- Alt, J.E. and D.D. Lassen. 2006. 'Transparency, Political Polarization, and Political Budget Cycles in OECD Countries.' *American Journal of Political Science* 50(5): 530-550.
- Iversen, T. and D. Soskice. 'Real Exchange Rates and Competitiveness: The Political Economy of Skill Formation, Wage Compression, and Electoral Systems' *American Political Science Review* 104(3): 601-623.
- Franzese, R. 2002. 'Electoral and Partisan Cycles in Economic Policies and Outcomes.' *Annual Review of Political Science* 5. (background)
- Alesina. A. and H. Rosenthal. 1995. *Political Parties, Divided Government, and the Economy*. Cambridge University Press. (background)
- Tufte, E.B. 1978. *Political Control of the Economy*. Princeton University Press. (background)

[3b] Trade and its Political Effects (March 25th)

- Autor, D., D. Dorn, G. Hanson and K. Majlesi. 2017, 'Importing Political Polarization? The Electoral Consequences of Rising Trade Exposure'. Manuscript, December 2017.

- Acemoglu, D., et al. 2016. 'Import competition and the great US employment sag of the 2000s.' *Journal of Labor Economics* 34: 141-198.
- Adao, R., M. Kolesar, and E. Morales. 2018. 'Shift-Share Designs: Theory and Inference'. Manuscript June 2018.
- Melitz, M. 2003. 'The Impact of Trade on Intra-Industry Reallocations and Aggregate Industry Productivity.' *Econometrica* 71(6): 1695-1725.
- Hiscox, M. 2001. 'Class versus Industry cleavages: Inter-industry Factor Mobility and the Politics of Trade'. *International Organization* 55(1): 1-46.
- Mosley, L. and D.A. Singer. 2015. 'Migration, Labor, and the International Political Economy'. *Annual Review of Political Science* 18: 283-301.
- Krugman, P et al. *International Economics: Theory and Policy*. Addison-Wesley. Ch. 4 and 5. (background)
- Ronald Rogowski. 1987. 'Political Cleavages and the Changing Exposure to Trade.' *American Political Science Review* 81(4): 1121-1137. (background)

[3c] Inequality & Politics I: Redistribution and Mobility (April 1st)

- Chetty, R. et al. 2014 'Where is the Land of Opportunity? The Geography of Intergenerational Mobility in the United States'. *Quarterly Journal of Economics* 129(4): 1553-1623.
- Becker, G. and N. Tomes. 1979. 'An Equilibrium Theory of the Distribution of Income and Intergenerational Mobility'. *Journal of Political Economy* 87(6): 1153-1189.
- Corak, M. 2013. 'Income Inequality, Equality of Opportunity, and Intergenerational Mobility'. *Journal of Economic Perspectives* 27(3): 79-102.
- Landerso, L. and J.J. Heckman. 2016. The Scandinavian Fantasy: The Sources of Intergenerational Mobility in Denmark and the US. *Scandinavian Journal of Economics* 119(1): 178-230.
- Benabou, R. 2000. 'Unequal Societies: Income Distribution and the Social Contract'. *American Economic Review* 90(1): 96-129
- Beramendi, P. 2015. 'Constrained Partisanship and Economic Inequality' in Beramendi et al. 2015. *The Politics of Advanced Capitalism*. Cambridge University Press.
- Atkinson, A.B. 2015. *Inequality: What can be done?*. Harvard University Press. (background)
- Przeworski, Chapters 10 in *States and Markets* (background)

[3d] Inequality & Politics II: Political Effects (April 8th)

- John D. Huber 2017 *Exclusion by Elections: Inequality, Ethnic Identity, and Democracy*. Cambridge University Press.
- Barth, E., H. Finseraas, and K.O. Moene. 2015. 'Political Reinforcement: How Rising Inequality Curbs Manifested Welfare Generosity' *American Journal of Political Science* 59(3): 565-577.
- Amat, F. and P. Beramendi. 2017 'Democracy under High Inequality: Political Participation and Public Goods'. Manuscript.
- Voorheis, J., N. McCarthy, and B. Shor. 2016. 'Unequal Incomes, Ideology and Gridlock: How Rising Inequality Increases Political Polarization'. Manuscript. March 2016.
- Rueda. D. and D. Stegmueller. 2019. *Who Wants What. Preferences for Redistribution in Comparative Perspective*. Cambridge University Press. [Part IV: Voting]

