

G 53.3400.001 Topics in Political Economy
Department of Politics
New York University – Spring 2006

INSTRUCTOR

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CLASS MEETING Tuesday TBA
OFFICE HOURS: Thursday 10-12

COURSE DESCRIPTION

This course is an introduction to the economics of contracts and organizations and its application to democratic governance and political development. Topics include internal organization of government and public sector, control of clientelism and corruption, accountability, and the design of state institutions. The last two weeks of classes will be devoted to the presentation of student research.

COURSE REQUIREMENTS

In addition to regular attendance and class participation, which will account for 20% of the grade, there will be (1) 3 review papers of one page each (2) a final “collective” paper. The review papers will account for 30% and the final paper for 50%.

Week 1 : Introduction

ECONOMICS OF CONTRACTS AND ORGANIZATION

Week 2 Adverse selection

Bernard Salanie. 2002. The Economics of Contracts. MIT Press (Ch. 2)

Week 3: Moral Hazard

Bernard Salanie. The Economics of Contracts, (Ch. 5)

Willinger Marc and Claudia Keser. 2002. Experiments on moral hazard and incentives: reciprocity and surplus sharing in “Eric Brousseau & Jean-Michel Glachant (eds): The Economics of Contracts: Theory and Applications

Week 4 : Incomplete Contracts

Bernard Salanie, *Economics of Contracts*, (Ch. 7)

Klein Benjamin. 2002. The Role of Incomplete Contracts in Self-enforcing Relationships in “Eric Brousseau & Jean-Michel Glachant (eds): *The Economics of Contracts: Theory and Applications*. Cambridge University Press

Week 5: Organizational economics: theory of the firm

Oliver Hart, 1995. *Firms, Contracts, and Financial Structure*. Oxford: Clarendon Press

Williamson, Oliver. 2002. The theory of the Firm as Governance Structure: From Choice to Contract. *Journal of Economic Perspectives* 16; 171-95

Alchian , Armen and Harold Demsetz. 1972. Production, Information Costs and Economic Organization. *American Economic Review* 62 777-95

Week 6: Decision-making in Organizations

Williamson, Oliver. 2002. Contract and economic organization in “Eric Brousseau & Jean-Michel Glachant (eds): *The Economics of Contracts: Theory and Applications*. Cambridge University Press

Baker, George, Robert Gibbons and Kevin Murphy. 1999. Informal Authority in Organizations, *Journal of Law, Economics and Organization* 15; 56-73

Rotemberg, Julio. 1993. Power in Profit-Maximizing Organizations. *Journal of Economics and Management Strategy*

Rajan Raghuram and Luigi Zingales. 2000. The Tyranny of Inequality. *Journal of Political Economy* 76; 521-58

Week 7 : Social Relations. Leadership

Tirole, Jean. 1986. Hierarchies and Bureaucracies: On the Role of Collusion in Organizations. *Journal of Law, Economics and Organization*: 181-214

Akerlof, George and Rachel Kranton. 2004 *Economics and Identity* QJE 115: 715-53

Hermalin, Benjamin. 1998. Toward an Economic Theory of Leadership: Leading by Example. *American Economic Review* 88: 1188-1206

Zald, Mayer and Michael Berger. 1978. Social Movements in Organizations: Coup d'Etat, Insurgency, and Mass Movements. *American Journal of Sociology* 83: 823-61

APPLICATIONS TO POLITICAL DEVELOPPEMENT

Week 8 : Organization of government and the public sector

Tirole, Jean. 1994. Internal Organization of Governments. *Oxford Economic Papers*

Hart Oliver. 2003.. Incomplete Contracts and Public Ownership: Remarks and an Application to Public Private Partnerships. *Economic Journal*

Patrick Francois. 2004. Public Service Motivation as an Argument for Government Provision, *Journal of Public Economics* 78(3), 275-299

Glaeser, Edward and Andrei Shleifer. 2001. Not-For-Profit Entrepreneurs. *Journal of Public Economics* 81 (1) 99-115

Week 9 : Controlling clientelism and corruption

Kitschelt.Herbert. 2000. "Linkages between Citizens and Politicians in Democratic Politics," *Comparative Political Studies*. 33. 869-xxx

Dhillon, Amrita and Leonard Wantchekon. 2004. Policy Commitment trough Intermediaries: A Theory of Electoral Clientelism. Working paper

Olken, Benjamin (2005) Monitoring Corruption: Evidence from a Field Experiment in Indonesia. Working Paper. Harvard University

Reinikka, Ritva and Jakob Svensson (2003), "The Power of Information: Evidence from a Newspaper Campaign to Reduce Capture," Working Paper, Institute for International Economic Studies, Stockholm University.

Week 10. Accountability

Przeworski Adam, Susan Stokes and Bernard Manin, Part 1, Ch. 1-4.

Besley, Timothy. 2005. *Principled Agents? The Political Economy of Good Government* (Ch 3)

Finan Frederico. Exposing Politicians: the Effect of Brazil's Publicly Released Audits on Election Outcomes. *Working paper. UC Berkeley.*

Ferjohn, John, 1986, Incumbent Performance and Electoral Control. *Public Choice*, 5-25

Week 11. The Design of State Agencies

Moe, Terry. 1990. "The Positive Theory of Public Bureaucracy" in D. Muller (eds) *Perspectives in Public Choice*. New York: Cambridge University Press.

Lupia, Arthur and Matthew MacCubbins. 1994. Learning from Oversight: Fire Alarms and Police Patrols Reconstructed. *Journal of Law, Economics, and Organization* 3: 243-77

MacCubbins, Matthew, Roger Noll, and Barry Weingast. 1987. Administrative Procedures as Instruments of Political Control. *Journal of Law, Economics and Organization* 10: 96-125

Hart Oliver, Andrei Shleifer and Robert Vishny. 1997. The Proper Scope of Government. *Quarterly Journal of Economics* 112- 144

Spiller, Pablo and Guy Holburn. 2002. Institutional or structural reform: sequencing strategies for reforming the electricity in in Eric Brousseau & Jean-Michel Glachant (eds)

Week 12. State Institutions

North, Douglas and Barry Weingast. 1989. "Constitutions and Commitment: The Evolution of Institutions Governing Public Choice in Seventeenth-Century England" *The Journal of Economic History* 49:803-32

Stasavage, David. 2002. Credible Commitment in Early Modern Europe: North and Weingast Revisited. *Journal of Law, Economics and Organization* 18: 155-86

Greif, Avner. 1998. On the Political Foundations of the Late Medieval Commercial Revolution: Genoa During the Twelfth and Thirteenth Centuries. *Journal of Economic History* 54:271-87

STUDENT PRESENTATION

Week 13. Presentation of student research

Week 14. Presentation of student research.