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Spring 2006

Seminar in Political Economy: Institutional Change

This is an advanced seminar in political economy. The main question is why institutions change. This is a puzzling question. If institutions are designed to solidify the power that lies elsewhere, in the economy or in the control over arms, then they give rise to increasing returns to power and they would not be changed. If, in turn, they are designed to counteract increasing returns to power, say through a system of checks and balances, then no one should be able to acquire enough power to change these institutions. Obviously, institutions do change, so these assumptions are either invalid or incomplete.

We will study these issues by reading selected formal models and statistical analyses of institutional change. The course is not designed to provide a general overview of the literature but to focus in depth on particular topics. The course is also intended to familiarize students with modeling techniques, so that we will go over selected readings in some detail.

Each student, or perhaps a group of students in cases where the readings are particularly difficult, is expected to present one model in class. These presentations need not go over every equation and every proof, but enough to understand the assumptions, the results, and the arguments that support them.

The pace of the course will be flexible, so that the list that follows should not be treated as a weekly schedule. The topics follow no particular logical order. We will begin with political regimes since this will be the only topic presented by me, so that placing it first will give students the time to prepare their presentations. We will then follow with extensions of suffrage, constitutions, and models that relate institutions to economic development.

Items listed below under “Study” will be discussed systematically in class. “Read” includes items that everyone should read as an introduction to a particular topic. “Background” provides related readings that will not be systematically discussed. Whenever possible, all the readings will be posted at Blackboard; if not a Xeroxed copy will be made available.

Note: This seminar will meet twice a week, Mondays and Wednesdays from 2 to 4, during the first seven weeks of the semester. During the remaining part of the semester students are expected to write a short paper, which can be a review of the article they presented in class or of some other article, paper, or book dealing with institutional change.

0. Introduction

The puzzle. Overview of the literature. Topics that will not be discussed: constitutions, electoral systems. Administrative matters.

I. Regime Dynamics

Facts

Read:

Przeworski, Adam, and Fernando Limongi. 1997. "Modernization: Theories and Facts." *World Politics* 49: 253-273.

Przeworski, Adam. 2004. "Economic Development and Transitions to Democracy." Ms. Department of Politics, New York University.

Background:

Przeworski, Adam, Michael E. Alvarez, José Antonio Cheibub, and Fernando Limongi. 2000. *Democracy and Development*. New York: Cambridge University Press. Chapter 2.

Boix, Carles, and Susan C. Stokes. 2003. "Endogenous Democratization." *World Politics* 55: 517-49.

Milanovic, Branko. 2005. "Relationship between Income and Emergence of Democracy Reexamined, 1820-2000: A non-parametric approach." Ms. World Bank.

Gleditsch, Kristian Skrede, and Jinhee L. Choung. No date. "Autocratic transitions and democratization." Ms. Department of Political Science, University of California, San Diego.

Models: Democracy as an Equilibrium

Read:

Przeworski, Adam. 2005. "Self-enforcing Democracy." Donald Wittman and Barry Weingast (eds.), *Oxford Handbook of Political Economy*. In press.

Study:

Przeworski, Adam. 2005. "Democracy as an equilibrium." *Public Choice* 123: 253-273.

Benhabib, Jess, and Adam Przeworski. 2005. "The Political Economy of Redistribution under Democracy." *Economic Theory* :

Models: Dictatorship as an Equilibrium

Study:

Przeworski, Adam, and Jennifer Gandhi. 2006. "Cooperation, Cooptation, and Rebellion under Dictatorship." *Economics and Politics*, in press.

II. Suffrage Extensions

Study:

Acemoglu, Daron, and James Robinson. 2000. "Why did the West extend the franchise? Democracy, Inequality, and Growth in Historical Perspective." *Quarterly Journal of Economics* 115: 1167-1199.

Lizzeri, Alessandro, and Nicola Persico. 2004. "Why did the elites extend the suffrage? Democracy and the scope of the government, with an application to Britain's 'Age of Reform'." *Quarterly Journal of Economics* 118: 707-765.

Llavador, Humberto, and Robert Oxoby. 2005. "Partisan Competition, Growth and the Franchise." *Quarterly Journal of Economics* 119: 1155-1189.

Background:

Aidt, Toke, Jayasri Dutta, and Elena Loukoianova. In press. "Democracy comes to Europe: Franchise Extensions and Fiscal Outcomes 1830-1938." *European Economic Review*.

Bourgignon, François, and Thierry Verdier. 2000. "Oligarchy, democracy, inequality, and growth." *Journal of Development Economics* 62: 285-313.

Conley, John P., and Akram Temimi. 2001. "Endogenous Enfranchisement When Group Preferences Conflict." *Journal of Political Economy* 109: 79-102.

Engerman, Stanley, and Kenneth L. Sokoloff. 2005. "The Evolution of Suffrage in the New World." *The Journal of Economic History* 65: 891-921.

Jack, William, and Roger Lagunoff. 2003. "Dynamic Enfranchisement." Department of Economics, Georgetown University.

Justman, Moshe, and Mark Gradstein. 1999. "The Industrial Revolution, Political Transition, and the Subsequent Decline in Inequality in 19th Century Britain." *Explorations in Economic History* 36: 109-127.

Lee, Woojin. 2003. "Is democracy more expropriative than dictatorship? Tocquevillian wisdom revisited." *Journal of Development Economics* 71: 155-198.

Lott, John R. and Lawrence W. Kenny. 1999. "Did Women's Suffrage Change the Size and Scope of Government?" *Journal of Political Economy* 107: 1163-1198.

Mariscal, Elisa, and Kenneth L. Sokoloff. 2000. "Schooling, Suffrage, and the Persistence of Inequality in the Americas, 1800-1945." In Stephen Haber (ed.), *Political Institutions and Economic Growth in Latin America*. Stanford: Hoover Institution. Pages 159-217.

North, Douglass C., and Barry W. Weingast. 1989. "The Evolution of Institutions Governing Public Choice in 17th Century England." *Journal of Economic History* 49: 803-832.

Sussman, Nathan and Yishay Yafeh. 2005. "Constitutions and Commitment: Evidence on the Relation between Institutions and the Cost of Capital." Hebrew University of Jerusalem. http://bschool.huji.ac.il/faculty/yafeh/NW_CRITIQUE_MAY_2005.pdf

III. Institutions and Economic Development

Read:

Engerman, Stanley L., and Kenneth L. Sokoloff. 1997. "Factor Endowments, Institutions, and Differential Paths of Growth Among New World Economies: A View from Economic Historians of the United States," in Stephen Haber (ed), *How Latin America Fell Behind: Essays on the Economic Histories of Brazil and Mexico, 1800-1914*. Palo Alto: Stanford University Press.

Mokyr, Joel. 1990. *The Lever of Riches: Technological Creativity and Economic Progress*. New York: Oxford University Press. Chapters 9 and 10.

Study:

Acemoglu, Daron, Philippe Aghion, and Fabrizio Zilibotti. 2004. "Distance to Frontier, Selection, and Economic Growth." *Journal of the European Economic Association* (**cannot find)

Acemoglu, Daron. 2003. "The Form of Property Rights: Oligarchic vs. Democratic Societies." Working Paper. Department of Economics. MIT.

Acemoglu, Daron. 2005. "Modeling Inefficient Institutions." Working Paper. Department of Economics. MIT.

Comin, Diego, and Bart Hobijn. 2005. "Lobbies and Technology Diffusion." Working Paper 11022. National Bureau of Economic Research.