

INSTITUTIONS AND HISTORY

PhD in Economics, University of Padua
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Course Structure: The module is articulated in two parts. In the first, we shall briefly investigate the basic theory on the impact of different types of political institutions on economic outcomes, and we will then look at the historical determinants of political institutions as well as their long-term economic impact. In the second part, we will focus on democratic institutions, and investigate their comparative features. Topics will combine the presentation of (seminal) theoretical models with testable empirical implications as well as their empirical and/or experimental counterparts. Empirical papers will pay close attention to different state-of-the-art identification strategies.

Assessment: Referee report on a paper of interest and presentation of this paper.

TOPICS & READINGS

The reading list is subject to change and serves as an indication of the tentative plan.

Part I - Origins and economic consequences of institutions (Roberto Bonfatti)

1. Theories on the origins and economic consequences of institutions

We introduce a conceptual framework to define the notion of “institutions”, and understand their impact on the economy.

Acemoglu, D., & Robinson, J. A. (2013). *Why nations fail: The origins of power, prosperity, and poverty*. Currency (Chapter 3 and 4).

Acemoglu, D., & Robinson, J. A. (2006). *Economic origins of dictatorship and democracy*. Cambridge University Press.

Besley, T., & Persson, T. (2009). The origins of state capacity: Property rights, taxation, and politics. *American economic review*, 99(4), 1218-1244.

Besley, T., & Persson, T. (2010). State capacity, conflict, and development. *Econometrica*, 78(1), 1-34.

2. Empirical work on the origins of institutions

What determines the shape of a country's institutions? We overview a large empirical literature which has emphasised the role of external shocks, such as imperial expansion, globalisation or de-globalisation in shaping institutions. We focus on causal empirical studies from the economics literature, but also briefly discuss anecdotal arguments from economic history and political science (a great source of inspiration for future empirical work).

Acemoglu, D., S. Johnson, and J. A. Robinson (2001): "The colonial origins of comparative development: An empirical investigation," *American economic review*, 91, 1369–1401.

Acemoglu, D., Johnson, S., & Robinson, J. (2005). The rise of Europe: Atlantic trade, institutional change, and economic growth. *American economic review*, 95(3), 546-579.

Banerjee, A. and L. Iyer (2005): "History, institutions, and economic performance: The legacy of colonial land tenure systems in India," *American economic review*, 95, 1190–1213.

Berger, S. (2000). "Globalization and politics". *Annual Review of Political Science*, 3(1), 43-62.

Bonfatti, R., & Brey, B. (2024). "Trade disruption, industrialisation, and the setting sun of British colonial rule in India," forthcoming in the *Journal of the European Economic Association*.

Dell, M. (2010). The persistent effects of Peru's mining mita. *Econometrica*, 78(6), 1863-1903.

Lowes, S. and E. Montero (2021): "Concessions, violence, and indirect rule: evidence from the Congo Free State," *The quarterly journal of economics*, 136, 2047–2091.

Puga, D., & Trefler, D. (2014). International trade and institutional change: Medieval Venice's response to globalization. *The Quarterly Journal of Economics*, 129(2), 753-821.

Rogowski, R. (1987). Political cleavages and changing exposure to trade. *American Political Science Review*, 81(4), 1121-1137.

Sanchez De La Sierra, R. (2020): "On the origins of the state: Stationary bandits and taxation in eastern Congo," *Journal of Political Economy*, 128.

Sokoloff, K. L., & Engerman, S. L. (2000). History lessons: institutions, factor endowments, and paths of development in the new world. *Journal of Economic perspectives*, 14(3), 217-232.

3. Empirical work on the economic consequences of institutions

We review a number of studies from a voluminous literature that has sought to identify the effect of institutions on economic growth.

Acemoglu, D., S. Johnson, and J. A. Robinson (2001): "The colonial origins of comparative development: An empirical investigation," *American economic review*, 91, 1369–1401.

Acemoglu, D., Johnson, S., & Robinson, J. (2005). The rise of Europe: Atlantic trade, institutional change, and economic growth. *American economic review*, 95(3), 546-579.

Dell, M. (2010). The persistent effects of Peru's mining mita. *Econometrica*, 78(6), 1863-1903.

Cust, J., & Harding, T. (2020). Institutions and the location of oil exploration. *Journal of the European Economic Association*, 18(3), 1321-1350.

Dincecco, M., & Katz, G. (2016). State capacity and long-run economic performance. *The Economic Journal*, 126(590), 189-218.

Dittmar, J. E., & Meisenzahl, R. R. (2020). Public goods institutions, human capital, and growth: Evidence from German history. *The Review of Economic Studies*, 87(2), 959-996.

Michalopoulos, S., & Papaioannou, E. (2013). Pre-colonial ethnic institutions and contemporary African development. *Econometrica*, 81(1), 113-152.

Michalopoulos, S., & Papaioannou, E. (2014). National institutions and subnational development in Africa. *The Quarterly journal of economics*, 129(1), 151-213.

Sanchez De La Sierra, R. (2020): "On the origins of the state: Stationary bandits and taxation in eastern Congo," *Journal of Political Economy*, 128.

Part II – Candidate policy implementation and information aggregation across electoral institutions (Orestis Troumpounis)

Textbook:

Persson Tabellini, *Political Economics: Explaining Economic Policy*, MIT Press

1. Candidates

We consider candidate policy proposals and policy implementation in elections under various assumptions about candidate objectives. The analysis includes theoretical, empirical, and experimental readings, all from a comparative perspective across electoral institutions.

Candidate positioning in two candidate elections

P&T: 47-58.

Callendar, S., "Political Motivations," *Review of Economic Studies*, 2007.

Dixit, A. and J. Londregan, "Ideology, Tactics, and Efficiency in Redistributive Politics," *Quarterly Journal of Economics*, 1998.

Gerber, E. and J. Lewis, "Beyond the Median: Voter Preferences, District Heterogeneity, and Political Representation," *Journal of Political Economy*, 2004.

Lee, D., E. Moretti, and M. Butler, "Do Voters Affect or Elect Policies? Evidence from the U.S. House," *Quarterly Journal of Economics*, 2004.

Ledyard, J., "A Pure Theory of Large Two-Candidate Elections," *Public Choice*, 1984.

Lindbeck, A. and J. Weibull, "Balanced-Budget Redistribution as the Outcome of Political Competition," *Public Choice*, 1987.

Londregan, J., "Political Income Redistribution," Ch 5 in *W & W*.

Stromberg, D., "How the Electoral College Influences Campaigns and Policy: The Probability of Being Florida," *American Economic Review*, 2008.

Candidate entry (Citizen Candidate Models)

P&T: 97-104; G&H: Ch 2.2.

Besley, T. and S. Coate, "An Economic Model of Representative Democracy," *Quarterly Journal of Economics*, 1997.

Osborne, M. and A. Slivinski, "A Model of Political Competition with Citizen-Candidates," *Quarterly Journal of Economics*, 1996.

Grosser, Jens, and Thomas R. Palfrey. 2013. "Candidate Entry and Political Polarization: An Antimedial Voter Theorem." *American Journal of Political Science* 58(1): 127–43.

2. Voting: Information aggregation in elections

In collective decision-making processes like elections, voters vary not only in their ideological preferences but also in the information they possess. These information disparities can greatly influence voting behavior and electoral results. Electoral institutions play a crucial role in aggregating this diverse information, with some electoral institutions proving more effective than others.

Reading material

Ahn, David S., and Santiago Oliveros. "Approval voting and scoring rules with common values." *Journal of Economic Theory* 166 (2016): 304-310.

Austen-Smith, David, and Jeffrey S. Banks. "Information aggregation, rationality, and the Condorcet jury theorem." *American political science review* 90, no. 1 (1996): 34-45.

Barelli, Paulo, Sourav Bhattacharya, and Lucas Siga. "Full Information Equivalence in large elections." (2021): mimeo.

Bouton, Laurent, and Micael Castanheira. "One person, many votes: Divided majority and information aggregation." *Econometrica* 80, no. 1 (2012): 43-87.

Bouton, Laurent, Micael Castanheira, and Aniol Llorente-Saguer. "Divided majority and

information aggregation: Theory and experiment." *Journal of Public Economics* 134 (2016): 114-128.

Feddersen, Timothy J., and Wolfgang Pesendorfer. "The swing voter's curse." *The American economic review* (1996): 408-424.

Goertz, Johanna MM, and François Maniquet. "On the informational efficiency of simple scoring rules." *Journal of Economic Theory* 146.4 (2011): 1464-1480.

Martinelli, Cesar. "Simple plurality versus plurality runoff with privately informed voters." *Social Choice and Welfare* 19, no. 4 (2002): 901-919.

McLennan, Andrew. "Consequences of the Condorcet jury theorem for beneficial information aggregation by rational agents." *American political science review* 92, no. 2 (1998): 413-418.

Tsakas, Nikolas, and Dimitrios Xefteris. "Information aggregation with runoff voting." *Journal of Economic Theory* 191 (2021): 105130.

Tsakas, Nikolas, and Dimitrios Xefteris. "Stress-testing the runoff rule in the laboratory." *Games and Economic Behavior* 128 (2021): 18-38.