

Sustainable use of natural Resources
Philipps-University Marburg
Master Seminar
Summer Term 2018

Kick-off **January 16th** 2-4pm in room AP2

— Office hours Björn Vollan: Please use ILIAS to register for an appointment.

Office hours Ivo Steimanis: Please make an appointment by email (ivo.steimanis@wiwi.uni-marburg.de).

Political Economy: The effects of Democratization

(Master Students, 6 ECTS)

— Democratic principles have made their way from ancient Greek to supra-national governments and the most remote villages in Sub-Saharan Africa. Economists have analyzed the benefits of democratization theoretically and empirically with cross-country panel comparisons and in experiments in various settings. Yet, many studies, surprisingly, do not suggest the theoretical obvious results which may be due to the way democracy is implemented in real life. In this seminar we will try to follow the major lines of research on the benefits of democratization. We cover the development paradigm “community-driven development (CDD)” and studies on elite capture as well as the cross-country growth literature. We also discuss the barriers to implementing democratic institutions in post-conflict societies and what the minimal requirements for democracy might be. MAIN OBJECTIVE: Use your analytical – both theoretical and empirical – knowledge and skills to make your argument!

Students have to hand in a literature review of maximum 6 pages including a short introduction and conclusion prior to the seminar. The literature review should critically review both theoretical and empirical papers. During the seminar, students present key elements of their literature review (10

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min; main theory, arguments & findings in the literature) and one empirical paper in detail (20mins) followed by a panel discussion including questions from the audience (ca. 15 minutes).

Grading:

- Literature review (40%)
- Presentation (60%)

We expect students to be present throughout the seminar. Active participation in the discussions will be included in the grading of the presentation.

For a general overview and historical perspective, we ask all seminar participants to read “After War: The Political Economy of Exporting Democracy” by Christopher Coyne (2008).

After being granted permission to take the seminar (please register with the examination office) you can send an email (ivo.steimanis@wiwi.uni-marburg.de) with your two most preferred topics.

Allocation of topics will be done according to the “first come first served” criteria. The kick-off meeting will be on **January 16th** 2-4pm in room AP2. We will discuss the organizational issues (the exact date of the seminar), requirements and what you need to do until the seminar. The seminar will be held on two days in June.

(1) What is democracy and how can it be measured?

The task for the student is to carve out the theoretical classification of regimes, i.e. what is democracy, and research the common practice in much of the literature of building indicators for democracy. Review the main available measures for political regime. What are their strengths and weaknesses? Is a dichotomous classification (democratic vs. authoritarian) appropriate or do we need more context specific measurements?

Schmitter, P.C., Karl, T.L., 1991. What Democracy Is... and Is Not. *Journal of Democracy* 2, 75–88.

- Cheibub, J.A., Gandhi, J., Vreeland, J.R., 2010. Democracy and dictatorship revisited. *Public Choice* 143, 67–101.
- Lindberg, S.I., Coppedge, M., Gerring, J., Teorell, J., 2014. V-Dem: A New Way to Measure Democracy. *Journal of Democracy* 25, 159–169.

(2) Political selection, electoral rules and the quality of government

Do governments in representative democracies operate in the public interest or do they tend to serve private interests? Are individuals and organisations seeking power to further their own interests at the expense of the citizens? Which electoral systems and political institutions determine that politicians choose policies that cater to their voters preferences? Critically discuss the theory and empirical findings.

- Besley, T., 2007. Principled Agents? The Political Economy of Good Government.

- Besley, T., 2005. Political Selection. *Journal of Economic Perspectives* 19, 43–60.
- Besley, T., Burgess, R., 2002. The Political Economy of Government Responsiveness: Theory and Evidence from India. *The Quarterly Journal of Economics* 117, 1415–1451.
- Alt, J., Bueno de Mesquita, E., Rose, S., 2011. Disentangling Accountability and Competence in Elections: Evidence from U.S. Term Limits. *The Journal of Politics* 73, 171–186.

(3) Does leader quality matter?

How much credit or blame should leaders such as Truman or Bush receive for the outcomes that happened on their watch? Do the decisions and actions of leaders change the course of events, or are some merely (un)lucky, holding office at a time when other factors would have generated largely the same outcomes regardless of who sat behind their desk?

- Jones, B.F., Olken, B.A., 2005. Do Leaders Matter? National Leadership and Growth Since World War II. *Q J Econ* 120, 835–864.
- Besley, T., Reynal-Querol, M., 2011. Do Democracies Select More Educated Leaders? *American Political Science Review* 105, 552–566.
- Berry, C., Fowler, A., 2017. Leadership or Luck? Randomization Inference for Leader Effects (RIFLE). Working Paper. (<http://www.lse.ac.uk/government/website-archive/resgroups/PSPE/Working-papers/BerryFowler-Leaders.pdf>)
- Easterly, W., 2011. Benevolent Autocrats. DRI Working Paper No. 75
- Easterly, W., Pennings, S., 2017. Shrinking dictators: how much economic growth can we attribute to national leaders? Development Research Institute.

(4) The role of media in politics (general)

Media plays a vital role in government accountability, just think of recent elections in the US and Kenya or UK's Brexit where politicians hired PR agencies for their campaigns. How do media affect political competition and how do politicians affect the media?

- Besley, T., Prat, A., 2006. Handcuffs for the Grabbing Hand? Media Capture and Government Accountability. *American Economic Review* 96, 720–736.
- Strömberg, D., 2004. Mass Media Competition, Political Competition, and Public Policy. *Rev Econ Stud* 71, 265–284.

(5) Citizen participation and the media (with focus on authoritarian regimes)

It is often argued that foreign mass media undermines authoritarian rule and that education increases political participation. However, this might not always be the case. What are the reasons for educated voters to disengage from politics? Why were East Germans exposed to West German television more satisfied with life in East Germany and more supportive of the East German regime?

- Croke, K., Grossman, G., Larreguy, H.A., Marshall, J., 2016. Deliberate Disengagement: How Education Can Decrease Political Participation in Electoral Authoritarian Regimes. *American Political Science Review* 110, 579–600.
- Gentzkow, M., 2006. Television and Voter Turnout. *Q J Econ* 121, 931–972.
- Kern, H.L., Hainmueller, J., 2009. Opium for the Masses: How Foreign Media Can Stabilize Authoritarian Regimes. *Political Analysis* 17, 377–399.
- Bond, R.M., Fariss, C.J., Jones, J.J., Kramer, A.D.I., Marlow, C., Settle, J.E., Fowler, J.H., 2012. A 61-million-person experiment in social influence and political mobilization. *Nature* 489, 295.

(6) The role of foreign election monitors on election outcomes

International election monitoring was initiated by democratizing governments as a signal of a government's commitment to democracy, resulting in a widespread belief that all true-democrats invite election monitors. Today, nearly 80% of all national elections are being monitored. Why did election observation become the international norm? What are the empirical findings on the effects of election monitoring? Does it reduce election fraud?

- Hyde, S.D., 2007. The Observer Effect in International Politics: Evidence from a Natural Experiment. *World Politics* 60, 37–63.
- Hyde, S.D., 2011. Catch Us If You Can: Election Monitoring and International Norm Diffusion. *American Journal of Political Science* 55, 356–369.
- Hyde, S.D., Marinov, N., 2014. Information and Self-Enforcing Democracy: The Role of International Election Observation. *International Organization* 68, 329–359.
- Asunka, J., Brierley, S., Golden, M., Kramon, E., Ofosu, G., 2017. Electoral Fraud or Violence: The Effect of Observers on Party Manipulation Strategies. *British Journal of Political Science* 1–23.

(7) Pressure groups in democracies

Pressure groups are believed to have major influence on policy outcomes and political decision making in general. To which degree are campaign contributions tied to lobbying activities? How strong is the influence of these pressure groups? Is this in general bad?

- Goldberg, P.K., Maggi, G., 1999. Protection for Sale: An Empirical Investigation. *The American Economic Review* 89, 1135–1155.
- Ansolabehere, S., Figueiredo, D., M, J., Jr, S., M, J., 2003. Why is There so Little Money in U.S. Politics? *Journal of Economic Perspectives* 17, 105–130.
- Bertrand, M., Bombardini, M., Trebbi, F., 2011. Is It Whom You Know or What You Know? An Empirical Assessment of the Lobbying Process (Working Paper No. 16765). National Bureau of Economic Research.

(8) Post-conflict situations, minority rights and peace building

It is often the case that post-conflict elections bring back the positions that were responsible for the conflict in the first place. Poorly designed promotion of democracy can thereby undermine the peace building process. What are requirements for a peaceful solution in post-conflict situations? How can we avoid a tyranny of the majority and disregard of minority rights? Use the conflict examples provided in the report and book to make your argument.

- Blanc, J., Hylland, A., Vollan, K., 2007. State structure and electoral systems in post-conflict situations | Eldis.
- Vollan, M.K., Butenschøn, P.N.A., Stiansen, M.Ø., 2015. Power-Sharing in Conflict-Ridden Societies: Challenges for Building Peace and Democratic Stability. Ashgate Publishing, Ltd.

(9) The link between democracy and redistribution – Is democracy good for the poor?

Many studies claim to show that democracies do a better job than non-democracies of improving the welfare of the poor. This literature here focuses on the channels in which democracy affects growth. In particular, to what extent can it be said that growth has been 'pro-poor'? Describe the approaches (methodology, outcome variables) this literature uses to test this hypothesis. What are the main results? What are the strengths and weaknesses in this literature?

- McGuire, M.C., Olson, M., 1996. The Economics of Autocracy and Majority Rule: The Invisible Hand and the Use of Force. *Journal of Economic Literature* 34, 72–96.
- Tavares, J., Wacziarg, R., 2001. How democracy affects growth. *European Economic Review* 45, 1341–1378.
- Ravallion, M., 2001. Growth, Inequality and Poverty: Looking Beyond Averages. *World Development* 29, 1803–1815.
- Dollar, D., Kraay, A., 2002. Growth is Good for the Poor. *Journal of Economic Growth* 7, 195–225.
- Ravallion, M., Chen, S., 2003. Measuring pro-poor growth. *Economics Letters* 78, 93–99.
- Ross, M., 2006. Is Democracy Good for the Poor? *American Journal of Political Science* 50, 860–874.

(10) From democracy to prosperity or the other way around?

Economists have long been analyzing the causal relationship between democracy and growth empirically using cross-country panel data. Sound theoretical positions have been advanced suggesting that democracy is both an impediment and facilitator of growth. However, there is no consensus on the relationship between these two widely studied variables. Is democracy an impediment or the facilitator of growth? Is democracy on average good for economic growth? Describe the empirical approaches and methodologies used in the earlier contributions to this topic and how later papers try to improve upon these studies (strengths and weaknesses).

- Barro, R.J., 1996. Democracy and growth. *J Econ Growth* 1, 1–27.
- Acemoglu, D., Robinson, J.A., 2000. Why Did the West Extend the Franchise? Democracy, Inequality, and Growth in Historical Perspective. *Q J Econ* 115, 1167–1199.
- Robinson, J.A., 2006. Economic Development and Democracy. *Annual Review of Political Science* 9, 503–527. doi:10.1146/annurev.polisci.9.092704.171256
- Acemoglu, D., Naidu, S., Restrepo, P., Robinson, J.A., 2014. Democracy Does Cause Growth (Working Paper No. 20004). National Bureau of Economic Research.
- Ruiz Pozuelo, J., Slipowitz, A., Vuletin, G., 2016. Democracy Does Not Cause Growth: The Importance of Endogeneity Arguments (Working Papers). Inter-American Development Bank.

(11) The indirect effects of democracy

This literature focusses on the indirect effects of democracy, as the literature on the relationship of between democracy and economic growth already received extensive attention. What are the channels via which democracy raises growth? Is democracy more than just another brake or booster for the economy? Describe the empirical approaches and methodologies used in the contributions to this topic (strengths and weaknesses).

- Baum, M.A., Lake, D.A., 2003. The Political Economy of Growth: Democracy and Human Capital. *American Journal of Political Science* 47, 333–347.
- Stasavage, D., 2005. Democracy and Education Spending in Africa. *American Journal of Political Science* 49, 343–358.
- Harding, R., Stasavage, D., 2014. What Democracy Does (and Doesn't Do) for Basic Services: School Fees, School Inputs, and African Elections. *The Journal of Politics* 76, 229–245.

(12) Extremism versus confirmation bias

Where does the US image problem come from and why do Americans have such bad views about Muslim countries in general? How is the internet changing ideological segregation? Are people only seeking information that is confirming their positions? What are the empirical findings on the effectiveness of persuasion?

- DellaVigna, S., Gentzkow, M., 2010. Persuasion: Empirical Evidence. *Annu. Rev. Econ.* 2, 643–669.
- Gentzkow, M.A., Shapiro, J.M., 2004. Media, Education and Anti-Americanism in the Muslim World. *The Journal of Economic Perspectives* 18, 117–133.
- Dellavigna, S., Enikolopov, R., Mironova, V., Petrova, M., 2012. Cross-border media and nationalism: Evidence from Serbian radio in Croatia \perp .
- Gentzkow, M., Shapiro, J.M., 2011. Ideological Segregation Online and Offline. *Q J Econ* 126, 1799–1839.

(13) Direct Democracy

Many countries debate the introduction of direct democratic institutions like referendums. What are the benefits of such initiatives? Do they exceed the costs? Describe the methodologies used in the literature to test this hypothesis. What does the empirical evidence show? What are the strengths and weaknesses in this literature?

- Feld, L.P., Matsusaka, J.G., 2003. Budget referendums and government spending: evidence from Swiss cantons. *Journal of Public Economics* 87, 2703–2724.
- Lupia, A., Matsusaka, J.G., 2004. DIRECT DEMOCRACY: New Approaches to Old Questions. *Annual Review of Political Science* 7, 463–482.
- Funk, P., Gathmann, C., 2011. Does Direct Democracy Reduce the Size of Government? New Evidence from Historical Data, 1890–2000*. *The Economic Journal* 121, 1252–1280.

(14) Decentralization of public service delivery to elected local governments

The student's task is to assess under which conditions a bottom up approach like community driven development works. As the 2004 World Development Report put it: "Too often, services fail poor people – in access, in quantity, in quality. But the fact that there are strong examples where services do work means governments and citizens can do better. How? By putting poor people at the center of service provision: by enabling them to monitor and discipline service providers, by amplifying their voice in policymaking, and by strengthening the incentives for providers to serve the poor."

- Bardhan, P., 2002. Decentralization of Governance and Development. *The Journal of Economic Perspectives* 16, 185–205.
- Bardhan, P., Mookherjee, D., 2006. Decentralisation and Accountability in Infrastructure Delivery in Developing Countries. *The Economic Journal* 116, 101–127.
- Bardhan, P.K., Mookherjee, D., 2006. Decentralization and local governance in developing countries: a comparative perspective.

(15) The effects of direct democracy on public good provisioning

Direct democracy aims at better aligning policies with citizens preferences, for example the provisioning of public goods or redistribution. The studies here try to identify the effects direct democratic institutions at the local level in developing countries. Describe the different methodologies used and highlight their strengths and weaknesses. What are the main empirical results and how do they differ across contexts?

- Martinez-Bravo, M., Padró i Miquel, G., Qian, N., 2012. The effects of democratization on public goods and redistribution: evidence from China.

- Martinez-Bravo, M., 2014. The Role of Local Officials in New Democracies: Evidence from Indonesia. *The American Economic Review* 104, 1244–1287.
- Beath, A., Christia, F., Enikolopov, R., 2017. Direct democracy and resource allocation: Experimental evidence from Afghanistan. *Journal of Development Economics* 124, 199–213.
- Olken, B.A., 2010. Direct Democracy and Local Public Goods: Evidence from a Field Experiment in Indonesia. *American Political Science Review* 104, 243–267.

(16) Elite capture at the local level

The literature on public choice and political economy is characterized by numerous theoretical analyses of capture of the democratic process by special-interest groups (lobbying). However, elite capture can occur at all levels of governance, from top to bottom. Are traditional authorities abusing their power despotically and undermine rural development? What are the main results?

What are the strengths and weaknesses in this literature?

- Bardhan, P., Mookherjee, D., 2000. Capture and Governance at Local and National Levels. *The American Economic Review* 90, 135–139.
- Acemoglu, D., Robinson, J.A., 2008. Persistence of Power, Elites, and Institutions. *The American Economic Review* 98, 267–293.
- Alatas, V., Banerjee, A., Hanna, R., Olken, B.A., Purnamasari, R., Wai-Poi, M., 2013. Does Elite Capture Matter? Local Elites and Targeted Welfare Programs in Indonesia (Working Paper No. 18798). National Bureau of Economic Research.
- Acemoglu, D., Reed, T., Robinson, J.A., 2013. Chiefs: elite control of civil society and economic development in Sierra Leone. National Bureau of Economic Research.
- Baldwin, K., 2013. Why Vote with the Chief? Political Connections and Public Goods Provision in Zambia. *American Journal of Political Science* 57, 794–809.

(17) Ethnic identity and voting

Cultural and ethnic differences are often seen as the heart of problems such as ethnic based politics or violent conflicts. A recent example would be the striving for more independence from the federal state by culturally different regions such as in Catalonia. So, why do some cultural differences matter in politics but others not? When does ethnic identity matter when it comes to vote choice?

- Huber, J.D., 2012. Measuring Ethnic Voting: Do Proportional Electoral Laws Politicize Ethnicity? *American Journal of Political Science* 56, 986–1001.
- Posner, D.N., 2004. The Political Salience of Cultural Difference: Why Chewas and Tumbukas Are Allies in Zambia and Adversaries in Malawi. *American Political Science Review* 98, 529–545.

(18) Corruption

Electoral accountability theoretically suggests that democratization should limit the possibilities of corruption by public decision makers. What are the explanations for corrupt behavior of politicians and what could be possible solutions to this problem? Can democratic elections reduce rent extraction by public decision makers?

- Olken, B.A., 2007. Monitoring Corruption: Evidence from a Field Experiment in Indonesia. *Journal of Political Economy* 115, 200–249.
- Ferraz, C., Finan, F., 2011. Electoral Accountability and Corruption: Evidence from the Audits of Local Governments. *American Economic Review* 101, 1274–1311.

(19) Are elections improving leadership?

In contrast to the cross-country empirical literature that focuses on the average effects of democracies compared to autocracies, this literature focusses on the people taking the decisions – leaders. Are democratic elected leaders more responsive to their constituents and evoke cooperation? Critically discuss the different approaches and methodologies used in the literature and their empirical findings.

- Grossman, G., 2014. Do Selection Rules Affect Leader Responsiveness? Evidence from Rural Uganda. *Quarterly Journal of Political Science* 9, 1–44
- Lierl, M.M., 2016. Elections and Embezzlement: Experimental Evidence from Burkina Faso (SSRN Scholarly Paper No. ID 2817417). Social Science Research Network, Rochester, NY.
- Beath, A., Christia, F., Egorov, G., Enikolopov, R., 2016. Electoral Rules and Political Selection: Theory and Evidence from a Field Experiment in Afghanistan. *Rev Econ Stud* 83, 932–968.
- Enemark, D., Gibson, C.C., McCubbins, M.D., Seim, B., 2016. Effect of holding office on the behavior of politicians. *PNAS* 113, 13690–13695.

(20) Behavioral effects of electoral rules.

This literature focuses on the effects of electoral rules and holding office on the behavior of politicians using different methodologies, from regression discontinuity to experimental designs with real world leaders. Is it the selection of leaders or the learning effects of holding a democratic office that is driving the results? Critically discuss the different approaches and methodologies used in the literature and their empirical findings.

- Dal Bó, P., Foster, A., Putterman, L., 2010. Institutions and Behavior: Experimental Evidence on the Effects of Democracy. *American Economic Review* 100, 2205–2229.
- Volla, Landmann, Zhou, Hu & Herrmann-Pillath (2017) " Cooperation and authoritarian values: An experimental study in China" *European Economic Review*, 93, 90-105.

- Grossman, G., Baldassarri, D., 2012. The Impact of Elections on Cooperation: Evidence from a Lab-in-the-Field Experiment in Uganda. *American Journal of Political Science* 56, 964–985.
- Corazzini, L., Kube, S., Maréchal, M.A., Nicolò, A., 2014. Elections and Deceptions: An Experimental Study on the Behavioral Effects of Democracy. *American Journal of Political Science* 58, 579–592.
- Kosfeld, M., Rustagi, D., 2015. Leader Punishment and Cooperation in Groups: Experimental Field Evidence from Commons Management in Ethiopia. *American Economic Review* 105, 747–783.