This course examines the relationship between economics and politics in democracies around the world. The course facilitates dialogue between the fields of political science and economics by looking at institutions in two ways. First of all, some of the tools and concepts developed by economists are used as building blocks for a systematic, comparative analysis of democratic institutions. Second, we explore the effects of political institutions on economic outcomes around the world.

In the first section of the course, we trace out some key themes in the study of democratic institutions, following threads of thought that run from some of the classics of political philosophy, including the works of Aristotle, Hobbes, Madison and Hamilton, to the contributions of modern positive political economy. We start by asking whether democracy is in fact the best way to organize the political realm. In particular, we focus on the questions of economic growth and public goods. One of the most important issues running from the classics of political philosophy to modern constitutional political economy is the question of whether, and under what conditions, democracies can make policies that serve the “common interest” rather than the interests of small groups. This will serve as our main theme as well. In short, the first part of the course examines the view that democratic governments are, or at least should be, “agents” of citizens.

The second and third parts of the course survey the variety of ways in which this agency relationship might be structured, and begin to assess the consequences of different institutional arrangements. We examine the organization and practice of democracy around the world and use the normative benchmarks from the first section to evaluate the strengths and weaknesses of various democratic institutions. We view institutional rules as incentive structures that influence the behavior of self-seeking politicians. The second section starts with a familiar example—the United States congress and the problem of pork-barrel politics—and then examines the problem in two other countries. The third section surveys some of the key institutional distinctions that differentiate democracies around the world. First we examine the distinction between “majoritarian” and “consensus” democracy, and the closely related literature on “veto players.” We go on to address debates about the merits of presidential and parliamentary democracy, and federalism and decentralization. This part of the course combines theory with the careful analysis of country cases. The readings draw on lessons from the United States, England, Germany, Japan, and Brazil, but students will present evidence from a variety of additional countries.

The final component of the course builds on these foundations and focuses explicitly on the relationship between preferences, institutions, and the ability to provide public goods. In particular, we discuss fiscal performance and macroeconomic management, free trade, and ultimately, economic growth. In the end, the goal is to assess the nature of the agency relationship structured by each set of institutional rules, and link these with outcomes. Our goal by the end of the semester is not to arrive at one ideal set of institutional arrangements, but rather, to establish a rich set of trade-offs.
Basic Readings

Most of the readings are available in the course packet, which will be available through Copy-Tech. A copy will also be on reserve at Dewey. The other readings are from the following books, all of which will be available for purchase at the MIT Coop and on reserve at Dewey:


Some of the readings discuss results of regression analysis. For those who need an accessible introduction to applied regression analysis, an additional book is available at the Coop and on reserve:


Course Requirements

- **Discussion (20% of course grade):** Students are required to read all of the week’s assigned readings before Monday meetings. Students are expected to participate in discussions every week. The discussion grade also includes short homework assignments and mandatory in-class debate.
- **First Paper (10% of course grade):** The topic will be given in class (4 pages), due March 4.
- **Second Paper (30% of course grade) and Presentation (10% of course grade):** Students will choose a country to use as a case study, and will write an essay (7-10 pages) that describes and evaluates some aspect of the performance of the country’s democratic institutions, applying some of the concepts and lessons from the reading materials. Papers due April 17 in class.
- **Cumulative Final Exam: (30% of course grade)**

INTRODUCTION AND KEY THEMES

Feb. 6: **Introduction to the Course**

- Madison, James, *The Federalist No. 10*.

Feb. 11: **Is Democracy the Best Political System?**


Feb. 13: **Does Democracy Facilitate Economic Growth?**


Feb. 19 & 20: **How Can Political Institutions Facilitate Growth?**

**Cooperation and Public Goods**


Feb. 25: **How Can Democracies Produce Public Goods?**

**Majority rule?**

- Shepsle and Bonchek, *Analyzing Politics*, chapters 3-7 and pages 192-94.

Feb 27: **Accountability and Representation**


**Delegation**


[FIRST WRITING ASSIGNMENT DUE MARCH 4 (TOPIC PROVIDED FEB. 27)]

**INSTITUTIONS, INCENTIVES, AND THE MIX OF PUBLIC AND PRIVATE GOODS**

March 4 & 6: **Legislative Organization**


  *The United States Congress*
- Mayhew, David R., *Congress: The Electoral Connection*, entire book (Try to read and skim selectively to extract the main arguments).

**March 11 & 13: Institutions and Pork-Barrel Politics in Comparative Perspective**


A pair of case studies:


How can the problem be overcome?

**Leadership**


More specifically: presidents, agenda-setters, and parties


**TYPES OF DEMOCRATIC INSTITUTIONS**

**March 18: Majoritarian and Consensus Democracy**


**March 20: Debate**

“Resolved: Proportional Representation is Superior to Majoritarian Electoral Rules”

**March 25 & 27: Spring Break**

[STUDENTS MUST SELECT COUNTRY FOR CASE STUDY BY APRIL 1]

**April 1 & 3: Federalism and Decentralization**


- Rodden, Jonathan. 2001. To be handed out in class.
April 8 & 10: Presidential and Parliamentary Democracy

  - Montesquieu, selection from *The Spirit of the Laws* (Chapter 2).
  - Madison, James, *The Federalist* Nos. 47, 48 (Chapter 3).
  - Hamilton, Alexander, *The Federalist* No. 70 (Chapter 4).
  - Wilson, Woodrow, “Committee or Cabinet Government?,” (Chapter 7).
  - Laski, Harold J., “The President and Congress” (Chapter 8).
  - Mainwaring, Scott, “Presidentialism in Latin America” (Chapter 13).
  - Linz, Juan, “The Perils of Presidentialism” (Chapter 14)

April 15: No class (Patriot’s Day)

[SECOND PAPER DUE APRIL 17]

April 17: Student Presentations

April 22: Student Presentations

April 24: Student Presentations

**PREFERENCES, INSTITUTIONS, AND OUTCOMES**

Apr. 29 & May 1: Fiscal Performance:


**Bicameralism:**

**May 6 & 8: Democracy, Institutions, and Free Trade**

Is free trade a public good? If so, how can it be achieved?


**Perspectives on Seattle:**


**Fast Track?**

- Newspaper articles to be handed out in class

**[SHORT WRITING ASSIGNMENT DUE MAY 8 IN CLASS]**

Come up with a hypothesis about how the design of political institutions might affect levels of protection. How would you test this hypothesis with cross-national quantitative data? (1-2 pages).

**May 13:** The Logic of Delegation: Inflation and Central Bank Independence


**Origins of Central Bank Independence**


**Effects**


**May 15:** The Size and Composition of Government Spending

- Alesina, Alberto, Edward Glaeser and Bruce Sacerdote, “Why Doesn’t the United States Have a European-Style Welfare State?”