

**Politics 584/Economics 576  
Foundations of Political Economy**

**Reading List**

The main readings are indicated by \*.

References denoted by PT are to *Political Economics* by T. Persson and G. Tabellini (MIT Press 2000). This book is available for purchase at Labyrinth Books. A copy is on reserve at Firestone Library (call no. HD87.P468 2000).

Also on reserve is *Special Interest Politics* by G. Grossman and E. Helpman (MIT Press 2001), call no. JF529.G74 2001

**Background** Part I of PT (pp. 15 - 114) provides a review of some of the basics of voting models and electoral competition. You should (re)acquaint yourself with this material. [Chapter 2 of Grossman & Helpman has a more cursory overview of some of these topics.]

Links to nearly all of the papers are available by clicking on the paper title. Often, these links can be accessed only from a computer on the Princeton domain or running Princeton VPN. Other items are posted on Blackboard under Course Materials. The Blackboard web site of the course is available only to students registered for the course.

**I. Taxation and Redistribution**

**A. Majority voting on redistributive taxes (pivotal-voter model)**

\*PT, chapter 2 and chapter 6 (section 6.1)

\*J. Gans and M. Smart, "[Majority Voting with Single-Crossing Preferences](#)," *J. Pub. Econ.*, Feb. 1996

\*A. Meltzer and S. Richard, "[A Rational Theory of the Size of Government](#)," *J. Polit. Econ.*, Oct. 1981

\*K. Roberts, "[Voting over Income Tax Schedules](#)," *J. Public Econ.*, 1977

T. Romer, "[Individual Welfare, Majority Voting, and the Properties of a Linear Income Tax](#)," *J. Public Econ.*, 1975.

C. Mulligan, "[Economic Limits on 'Rational' Democratic Redistribution](#)," working paper, U. of Chicago, March 2001.

\* B. Milanovic, "[The Median-Voter Hypothesis, Income Inequality, and Income Redistribution: An Empirical Test with the Required Data](#)," *European J. of Political Econ.*, 2000.

P. Harms and S. Zink "[Limits to Redistribution in a Democracy: A Survey](#)", *Eur. J. Political Econ.*, 2003.

E. Klor, "[On the Popular Support for Progressive Taxation](#)", *J. Public Econ. Theory*, Oct. 2003.

O. Carbonell-Nicolau and E. F. Klor, "[Representative Democracy and Marginal Rate Progressive Income Taxation](#)", *J. Public Econ.* September 2003

O. Carbonell-Nicolau and E. Ok, "[Voting over Income Taxation](#)", *J. Econ. Theory*, 2006.

R. Borck, "Voting, Inequality and Redistribution" *J. Econ. Surveys*, 2007. Available on Blackboard under Course Materials.

### ***B. Partisan models of redistribution***

\* J. Roemer, "[The Democratic Political Economy of Progressive Income Taxation](#)," *Econometrica*, Jan. 1999

\*J. Roemer, "[Why the Poor do not Expropriate the Rich: An Old Argument in New Garb](#)," *J. Pub. Econ.*, Dec. 1998

A. Coram, "The Political-Economy of Conflicts over Wealth: Why Don't the Rabble Expropriate the Rich?" *Public Choice*, 2008. Available on Blackboard under Course Materials.

J. Roemer, "[The Strategic Role of Party Ideology When Voters are Uncertain about how the Economy Works](#)," *Am. Pol. Sci. Rev.*, June 1994

J. Roemer, "[A Theory of Income Taxation Where Politicians Focus Upon Core and Swing Voters](#)", working paper, 2008.

\* T. Iversen and D. Soskice, "[Electoral Institutions and the Politics of Coalitions: Why Some Democracies Redistribute More than Others](#)," *Am. Pol. Sci. Rev.*, May 2006.

D. Austen-Smith, "[Redistributing Income under Proportional Representation](#)," *J. Political Econ.*, Dec. 2000

V. Verardi, "[Electoral Systems and Income Inequality](#)," *Econ. Letters*, 2005.

L. Bartels, "Partisan Politics and the U.S. Income Distribution," working paper, Princeton U., Feb 2004. Available on Blackboard under Course Materials.

N. McCarty, K. Poole, and H. Rosenthal, "Political Polarization and Income Inequality," working paper, Princeton U., 2003. Available on Blackboard under Course Materials.

P. De Donder and J. Hindriks "[The politics of progressive income taxation with incentive effects](#)", *J. Public Econ.*, 2003.

S. Dhami, "[The political economy of redistribution under asymmetric information](#)", *J. Public Econ.*, 2003.

L. Kenworthy and J. Pontusson, "[Rising Inequality and the Politics of Redistribution in Affluent Countries](#)," *Perspectives on Politics*, Sept. 2005.

Y. Chen, "[Electoral Systems, Legislative Process, and Income Taxation](#)," *J. Public Econ. Theory*, 2000.

### ***C. Alternative motivations for redistribution***

\*T. Piketty, "[Social Mobility and Redistributive Politics](#)", *Quart. J. Econ.*, 1995

\* K.O. Moene and M. Wallerstein, "[Inequality, Social Insurance, and Redistribution](#)", *American Political Science Review* Dec. 2001

K.O. Moene and M. Wallerstein, "[Earnings Inequality and Welfare Spending: A Disaggregated Analysis](#)," *World Politics*, July 2003.

\* R. Benabou and J. Tirole, "[Belief in a Just World and Redistributive Politics](#)," *Quart. J. Econ.*, May 2006.

\* C. Fong, "[Social Preferences, Self-Interest, and the Demand for Redistribution](#)", *Journal of Public Economics* 82(2), 225-246 (2001).

\* G. Corneo and H.P. Grüner, 2002. "[Individual Preferences for Political Redistribution](#)" *Journal of Public Economics* 83(1), 83-108 (2002).

R. Benabou, "[Unequal Societies: Income Distribution and the Social Contract](#)," *Am. Econ. Rev.*, March 2000.

G. Corneo and H. Grüner, "[Social Limits to Redistribution](#)," *Am. Econ. Rev.*, Dec. 2000.

E. Luttmer, "[Group Loyalty and the Taste for Redistribution](#)," *J. Pol. Econ.*, June 2001.

D. Austen-Smith, "[Majority preference for subsidies over redistribution](#)," *J. Public Econ.*, 2003.

D. Austen-Smith and M. Wallerstein, "[Redistribution and Affirmative Action](#)," *J. Public Econ.*, 2006.

W. Lee and J. Roemer, "[Racism and Redistribution in the United States: A Solution to the Problem of American Exceptionalism](#)," *J. Public Econ.*, 2006.

A. Alesina, R. Baqir, and W. Easterly, "[Public Goods and Ethnic Divisions](#)," *Quart. J. Econ.*, Nov. 1999.

R. Benabou and E. Ok, "[Social Mobility and the Demand for Redistribution: The POUM Hypothesis](#)," *Quart. J. Econ.*, May 2001

## II. Government Structure – Federalism, Secession

### A. Fiscal federalism — Introduction

\* PT Chapter 6 (sec. 6.3)

\*J. Madison, "Vices of the Political System of the United States," April 1787. Download from Blackboard, "Course Materials".

\*J. Buchanan, "[Federalism as an Ideal Political Order and an Objective for Constitutional Reform](#)", *Publius*, Spring 1995

### B. Redistribution with multiple jurisdictions

\*D. Epple and T. Romer, "[Mobility and Redistribution](#)", *J. Political Econ.*, 1991

\* D. Epple, T. Romer, and H. Sieg, "[Interjurisdictional Sorting and Majority Rule](#)," *Econometrica*, Nov. 2001

\* S. Calabrese, D. Epple, T. Romer, and H. Sieg, "Local Public Good Provision: Voting, Peer Effects, and Mobility," *J. Pub. Econ.*, 2006. Available on Blackboard under Course Materials.

M. Feldstein and M. Wrobel, "[Can State Taxes Redistribute Income?](#)" *J. Pub. Econ.*, June 1998

A.S. Kessler and C. Lulfessmann, "[Tiebout and Redistribution in a Model of Residential and Political Choice](#)," *J. Pub. Econ.*, Feb. 2005.

K. Bjorvatn and A. W. Cappelen, "[Inequality, segregation, and redistribution](#)," *J. Pub. Econ.*, 2003.

### C. Fiscal Federalism

\* T. Besley and S. Coate, "[Centralized versus decentralized provision of local public goods: a political economy approach](#)", *J. Pub. Econ.*, 2003.

A. Dixit and J. Londregan, "[Fiscal Federalism and Redistributive Politics](#)," *J. Pub. Econ.*, May 1998

T. Persson and G. Tabellini, "[Federal Fiscal Constitutions: Risk Sharing and Redistribution](#)" *J. Political Econ.*, Oct. 1996

T. Persson and G. Tabellini, "[Federal Fiscal Constitutions: Risk Sharing and Moral Hazard](#)" *Econometrica* 1996

A. Alesina and R. Perotti, "[Economic Risk and Political Risk in Fiscal Unions](#)," *Econ. J.*, July 1998

M. Redoano and K. A. Scharf, "[The political economy of policy centralization: direct versus representative democracy](#)," *J. Pub. Econ.*, 2004

#### ***D. Integration and Secession***

\* P. Bolton and G. Roland, "[The Breakup of Nations: A Political Economy Analysis](#)," *Quart. J. Econ.*, Nov. 1997

\* A. Olofsgård, "[Incentives for secession in the presence of mobile ethnic groups](#)", *J. Public Econ.*, Oct. 2003.

\* M. Ruta, "[Economic Theories of Political \(Dis\)Integration](#)," *J. Econ. Surveys*, 2005.

A. Alesina and E. Spolaore, "[On the Number and Size of Nations](#)," *Quart. J. Econ.*, Nov. 1997

P. Bolton, G. Roland, and E. Spolaore, "[Economic Theories of the Break-Up and Integration of Nations](#)," *Eur. Econ. Rev.*, 1996

A. Alesina, E. Spolaore, and R. Wacziarg, "[Economic Integration and Political Disintegration](#)," *Am. Econ. Rev.*, Dec. 2000

P. Beramendi, "[Political Institutions and Income Inequality: The Case of Decentralization](#)", working paper, WZB Berlin, Sept. 2003.

M. Leite-Monteiro and M. Sato "[Economic integration and fiscal devolution](#)", *J. Public Econ.*, Oct. 2003.

S. Goyal and K. Staal, "[The Political Economy of Regionalism](#)," *European Econ. Rev.*, June 2004.

M. Le Breton and S. Weber, "[The Art of Making Everybody Happy: How to Prevent a Secession](#)," *IMF Staff Papers*, 2003.

### III. Interest Groups and Policy-Making

\*For general background; PT chapters 3-5 and chapter 7. For more detail, see Grossman & Helpman, especially chs. 7-10.

#### A. Competition among Groups

\*S. Coate and S. Morris, "[On the Form of Transfers to Special Interests](#)," *J. Political Econ.*, Dec. 1995.

\*A. Dixit and J. Londregan, "[The Determinants of Success of Special Interests in Redistributive Politics](#)," *J. Politics*, 1996

\* R. Fernandez and G. Levy, "Diversity and Redistribution", *J. Public Econ.*, 2008. Available on Blackboard under Course Materials.

M. Singhal, "Special Interest Groups and the Allocation of Public Funds", *J. Public Econ.*, 2008. Available on Blackboard under Course Materials.

J. Snyder and M. Ting, "Interest Groups and the Electoral Control of Politicians," *J. Public Econ.*, 2008. Available on Blackboard under Course Materials.

T. Persson, "[Economic Policy and Special Interest Politics](#)," *Econ. J.* Mar. 1998

G. Grossman and E. Helpman, "[Electoral Competition and Special Interest Politics](#)", *Rev. Econ. Stud.* 1996

G. Grossman and E. Helpman, "[Protection for Sale](#)", *Amer. Econ. Rev.*, 1994

F. Campante and F Ferreira, "[Inefficient Lobbying, Populism and Oligarchy](#)," *J. Pub. Ec.* 2007

#### B. Politics and Efficiency

\* D. Acemoglu, "[Why Not a Political Coase Theorem? Social Conflict, Commitment, and Politics](#)," *J. Comparative Econ.*, Dec. 2003.

\* A. Dixit and J. Londregan, "[Ideology, Tactics, and Efficiency in Redistributive Politics](#)," *Quart. J. Econ.*, May 1998

\*A. Dixit and J. Londregan, "[Redistributive Politics and Economic Efficiency](#)," *Am. Pol. Sci. Rev.* Dec. 1995

\*T. Besley and S. Coate, "[Sources of Inefficiency in a Representative Democracy: A Dynamic Analysis](#)," *Amer. Econ. Rev.* March 1998

\*D. Acemoglu and J. Robinson, "[Inefficient Redistribution](#)," *Am. Pol. Sci. Rev.*, Sept. 2001

D. Acemoglu and J. Robinson, "Persistence of Power, Elites, and Institutions," *Am. Econ. Rev.*, 2008. Available on Blackboard under Course Materials.

A. Dixit, G. Grossman, and E. Helpman, "[Common Agency and Coordination: General Theory and Application to Government Policy Making](#)," *J. Polit. Econ.*, Aug. 1997

T. Besley and S. Coate, "[An Economic Model of Representative Democracy](#)," *Quart. J. Econ.*, 1997

J. Robinson and R. Torvik, "[White Elephants](#)," *J. Pub. Econ.*, Feb. 2005.

D. Acemoglu, D. Ticchi, and A. Vindigni, "[Emergence and Persistence of Inefficient States](#)," working paper, Nov. 2006.

M. Battaglini and S. Coate, "[Inefficiency in Legislative Policy-Making: A Dynamic Analysis](#)," working paper, 2006.