

Syllabus for 260A: Comparative economics.
Fall 2014.
Instructor : Gérard Roland

The course will introduce students to the new and evolving field of comparative economics that has emerged from the transition experience and the economics of transition. Before the economics of transition, comparative economics was devoted mostly to the comparison of capitalism and socialism, and in practice mostly to the study of socialist economic systems (central planning, Yugoslav self-management, market socialism...). The transition experience and the economics of transition has shown the importance of the institutions underlying the capitalist system. Comparative economics is now concerned with the comparative analysis of institutions of existing capitalist systems, the historical evolution of those institutions and their effects on economic performance.

This year, there will be more emphasis than in previous years on institutions and culture. Also, one third of the course will be devoted to understand the success of the growth process in China.

Lecture 1. Introduction.

Review of the issues covered by the new comparative economics.

Readings:

- G. Roland *Transition and Economics. Politics, Markets and Firms*, MIT Press 2000, Introduction.

- S. Djankov, E. Glaeser, R. La Porta, F. Lopez-de-Silanes and A. Shleifer, « The New Comparative Economics » *Journal of Comparative Economics*, vol. 31, No 4, December 2003, pp. 595-619.

Other readings:

- M. Aoki *Comparative Institutional analysis*, MIT Press 2001.

PART I. COMPARATIVE INSTITUTIONAL ANALYSIS

Lecture 2. Different coordination mechanisms.

Readings:

- M. Weitzman "Price Versus Quantities" *Review of Economic Studies* vol 41 No 4 October 1974, pp.477-491.

Other readings:

- P. Bolton and J. Farrell "Decentralization, Duplication and Delay", *Journal of Political Economy* , vol 98 No 4 1990, pp. 803-826.

Lectures 3 and 4.

Institutions and Growth.

Readings:

- D. Acemoglu, S. Johnson and J. Robinson "The Colonial Origins of comparative Development. An Empirical Investigation", *American Economic Review* vol 91, pp. 1369-1401, 2001.
- R. Hall and C. Jones "Why Do Some Countries Produce So Much More Output per Worker than Others?", *Quarterly Journal of Economics*, 1999, Vol. 114, pp. 83-116.
- N. Nunn "The Long Term Effects of Africa's Slave Trades" *Quarterly Journal of Economics*, 2008, 123(1): 139-176.

Other readings:

- D. Rodrik, A. Subramanian and F. Trebbi "Institutions Rule: The Primacy of Institutions over Geography and Integration in Economic Development" *Journal of Economic Growth* 2004 9(1), pp. 131-165.
- D. Albouy "The Colonial Origins of comparative Development. An Empirical Investigation: A Comment", *American Economic Review* 2012, 102(6): 3059-3076.
- E. Glaeser, R. La Porta, F. Lopez de Silanes and A. Shleifer "Do Institutions Cause Growth" *Journal of Economic Growth* 2004 9(3) , pp. 271-303.
- M. Dell "The Persistent Effect of Peru's Mining Mita" *Econometrica* 2010 78(6), pp.1863-1903.
- S. Michalopoulos and E. Papaioannou "Pre-Colonial Ethnic Institutions and Contemporary African Development" *Econometrica* 2013 81(1), pp. 113-152.
- E. Spolaore and R. Wacziarg "Hoe Deep are the Roots of Economic Development" *Journal of Economic Literature* 51(2), pp. 325-369.

Lecture 5. Comparative legal Institutions. Common Law vs Civil Law.

Readings:

- R. LaPorta, F. Lopez-de-Silanes, A. Shleifer and R. Vishny, , «Law and Finance», *Journal of Political Economy* 106, 1998 1113-1155.
- E. Glaeser, A. Shleifer. "Legal Origins", *Quarterly Journal of Economics* . vol. 117 No 4, pp 1193-1229, 2002.

Other readings:

- R. Rajan and L. Zingales, "The Great Reversals. The political Economy of Financial Development in the twentieth century". Working paper. Downloadable at <http://gsbwww.uchicago.edu/fac/finance/papers/reversal.pdf>
- K. Pistor, M. Raiser & S. Gelfer "Law and Finance in Transitional Economies" *Economics of Transition*, 8 (2), 325-368 2000.
- M. Roe. "Corporate Law's Limits" *Journal of Legal Studies* vol. 31(2), pp. 233-71.
- D. Berkowitz and K. Clay "Initial Conditions, Institutional Dynamics and Economic Performance: Evidence from the American States," mimeo May 2003, downloadable at <http://www.pitt.edu/~dmberk/berkclay1.pdf>

Lecture 6-8. The role of culture.

Readings:

- Avner Greif, 1994. "Cultural Beliefs and the Organization of Society: A Historical and Theoretical Reflection on Collectivist and Individualist Societies," *Journal of Political Economy*, vol. 102(5), pages 912-50, 1994.
- A. Bisin and T. Verdier "The Economics of Cultural Transmission and the Dynamics of Preferences" *Journal of Economic Theory* 97(2) 2001 , pp. 298-319.
- A. Bisin and T. Verdier "Beyond the Melting Pot: Cultural transmission, marriage, and the evolution of ethnic and religious traits" *Quarterly Journal of Economics* 2000 115(3): pp. 955-988.
- G. Tabellini (2008) "Institutions and Culture" Presidential lecture *Journal of the European Economic Association* 2008 6(2-3), pp. 255-294.
- Y. Gorodnichenko and G. Roland "Culture, Institutions and the Wealth of Nations" NBER Working Paper 16368 2010.
- Y. Gorodnichenko and G. Roland "Understanding the Individualism-Collectivism Cleavage and its Effects: Lessons from Cultural Psychology" in Aoki, Kuran and Roland (ed.) *Institutions and Comparative Economic Development*, Palgrave 2012, 213-236.

Other readings:

- D. Landes *The Wealth and Poverty of Nations: Why Are Some So Rich and Others So Poor?* , New York: W.W. Norton, 1998.
- A. Alesina, R. Di Tella and R. MacCulloch "Inequality and Happiness: Are Europeans and Americans Different?" mimeo 2002. Downloadable at http://www.people.hbs.edu/rditella/papers/inequality_and_happiness.pdf
- Grosjean

Lecture 9: Capitalism under democracy and dictatorship and processes of democratization.

Readings:

- D. Acemoglu The Form of Property Rights. Oligarchic versus Democratic Societies.
Downloadable at http://econ-www.mit.edu/faculty/download_pdf.php?id=832
- R. Barro "Determinants of Democracy", *Journal of Political Economy* December 1999.
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Other Readings:

- A. Przeworski et al. , *Democracy and Development. Political regimes and Material well-being in the World: 1950-1990* , Cambridge University Press, 2000.

PART II. UNDERSTANDING CHINA'S DEVELOPMENT

Lecture 10: The gradual approach to reform and the flexibility of China's administrative organization.

Readings:

- Roland, Gérard . *Transition and Economics*, Chapter 2, MIT Press 2000.
- Dewatripont, Mathias and Gérard Roland "The Design of Reform Packages under Uncertainty" *American Economic Review*, 1995, vol 83, n°5, 1995, pp. 107-1223.
- McMillan, J. and B. Naughton, (1992), "How to Reform a Planned Economy: Lessons from China", *Oxford Review of Economic Policy*, 8, pp. 130-143.
- Chandler, Alfred. *Strategy and Structure*, New York: Doubleday and Company, 1966.
- Williamson, Oliver. *Markets and Hierarchies*, New York: Free Press, 1975.
- Qian, Yingyi, and Chenggang Xu, "Why China's Economic Reforms Differ: M-Form Hierarchy and Entry/Expansion of the Non-State Sector," *Economics of Transition*, 1993, 1(2), pp. 135-170.
- Qian, Yingyi, Gerard Roland, and Chenggang Xu, "Coordination and Experimentation in M-form and U-form Organizations," *Journal of Political Economy*, June 2006.

Lecture 11: Dual-track liberalization and its properties.

Readings:

- Lau, L., Y. Qian and G. Roland, (1997), "Pareto-Improving Economic Reforms through Dual-Track Liberalization", *Economics Letters*, 55(2): 285-292.
- Lau, L., Y. Qian and G. Roland, (2000), "Reform Without Losers: An Interpretation of China's Dual-Track Approach to Reforms", *Journal of Political Economy*, vol. 108 (1), pp 121-143.
- Roland, G. and T. Verdier, (1999a), "Transition and the Output Fall", *Economics of Transition*, 7(1): 1-28.
- Murphy, K., A. Shleifer and R. Vishny, (1992), "The Transition to a Market Economy: Pitfalls of Partial Reform", *Quarterly Journal of Economics*, 107: 889-906.
- Sicular, T., (1988), "Plan and Market in China's Agricultural Commerce", *Journal of Political Economy*, 96(2): 283-307.
- Byrd, W. A., (1987), "The Impact of the Two-Tier Plan/Market System in Chinese Industry", *Journal of Comparative Economics*, 11: 295-308.
- Byrd, W. A., (1989), "Plan and Market in the Chinese Economy: A Simple General Equilibrium Model", *Journal of Comparative Economics*, 13, 177-204.

Lecture 12: Fiscal decentralization and the incentives of bureaucrats.

- Berkowitz, D. and W. Li, (1999), "Tax Rights in Transition Economies: A Tragedy of the Commons ?", *Journal of Public Economics*,
- Weingast, Barry R., "The Economic Role of Political Institutions: Market-Preserving Federalism and Economic Growth," *Journal of Law, Economics, and Organization*, 1995, 11, pp. 1-31.
- Qian, Yingyi, and Barry R. Weingast, "Federalism as a Commitment to Market Incentives," *Journal of Economic Perspectives*, Fall, 1997, 11(4), pp. 83-92.
- Qian, Yingyi, and Gerard Roland, "Federalism and the Soft Budget Constraint," *American Economic Review*, December 1998, 88(5), pp. 1143-1162.
- Zhuravskaya, Ekaterina, "Incentives to Provide Local Public Goods: Fiscal Federalism, Russian Style," *Journal of Public Economics*, 2000, 76, pp. 337-368.
- Jin, Hehui, Yingyi Qian, and Barry Weingast, "Regional Decentralization and Fiscal Incentives: Federalism, Chinese Style," *Journal of Public Economics*, September 2005, 89(9-10), pp. 1719-1742.
- "The Razor's Edge: Distortions and Incremental Reform in the People's Republic of China." *Quarterly Journal of Economics* 115 (November 2000): 1091-1135.

Lecture 13: Meritocracy and yardstick competition in the Chinese administration.

Readings:

- Maskin, Eric, Yingyi Qian, and Chenggang Xu, "Incentives, Information, and Organizational Form," *Review of Economic Studies*, April 2000, 67(2), pp. 359-378.

- Li, Hongbin, and Li-An Zhou, "Political Turnover and Economic Performance: The Incentive Role of Personnel Control in China." *Journal of Public Economics*, September 2005, 89(9-10), pp. 1743-1762.
- Chen, Ye & Li, Hongbin & Zhou, Li-An, 2005. "Relative performance evaluation and the turnover of provincial leaders in China," *Economics Letters*, vol. 88(3), pages 421-425, September.
- Li, S. Li. S. and W. Zhang, 2000. "The Road to Capitalism: Competition and Institutional Change in China," *Journal of Comparative Economics* 28: 269-292.