

Political Economy and the Economics of Populism

Bachelor Seminar in Economics
Summer 2018

Location: Institut für Weltwirtschaft (Institute for the World Economy)

Room: Conference Room A-S25 (Basement)

Date and time:

Orientation day: Monday, March 12th, 4pm-5.30pm

Seminar: Friday, April 20th, 2pm-6pm

Saturday, April 21st, 9am-4pm

Expected no. of participants: 12

Instructors

Prof. Dr. Christoph Trebesch (CAU Kiel and Kiel Institute for the World Economy)

Dr. Manuel Funke (Kiel Institute for the World Economy)

Aim of the course

The course will cover central questions in political economy, with a focus on the determinants and consequences of populism and authoritarianism. We will also relate to the broader debate on institutions (like liberal democracy) and economic development. Students taking this course will learn how to search for and critically discuss the academic literature on these topics. Moreover, you will train how to debate economic and political questions in a professional manner.

Guiding questions

We will focus on the following set of questions:

A. Institutions and economic growth:

- 1 Is there a trade-off between democracy and globalization?
- 2 China vs. India: Do autocracies grow faster?
- 3 Should we shrink the welfare state?

B. Populism - determinants and consequences:

- 4 Is populism bad for democracy and the economy?
- 5 Determinants of populism: Culture or economics?
- 6 The rise of populism in Europe: Is the EU to blame?

Term paper

The term papers (10-15 pages) will focus on one of the six research questions above and we plan to assign each topic to two students. The paper should discuss evidence both for and against the question at hand, by drawing on the most relevant research on the topic. Specifically, the paper should focus on the most central contributions and discuss these in detail, i.e. the theoretical framing, the data, the identification strategy, and potential flaws. Good papers provide a well-founded overview of the literature and show a basic, intuitive understanding of the models and empirical techniques. Start to prepare as early as possible. Specifically, we suggest to:

- Base all of your points on research contributions
- Provide both theoretical and empirical support in favor / against the argument.
- Consider both 'classic' papers and recent papers, with an emphasis on the latter
- Formalities and correct citing is crucial. Please follow the AER citing style:
<https://www.aeaweb.org/journals/policies/sample-references>

Presentation

The presentation will take the form of an academic debate between students. Each student should take a strong position in favor or against the question, by describing the most relevant insights/evidence for that position. The idea of the debate is to make the presentations livelier and more interesting, and to train students to use good academic research for an informed policy discussion. Students are also requested to provide a handout.

Handout

The handout (1-2 pages) is an important background document for class discussion. It should summarize in a structured and easily accessible manner the key arguments (and key papers) on the debate question. The handout should consist of 1-2 pages, plus references (possibly one page for the pro arguments and one for the contra arguments). Don't write a full text, use bullet points or short sentences instead.

Requirements

Students should have an interest in macroeconomics, political economy and economic history. Participants should be willing to do a significant amount of self-study and reading. They will be given a list of the essential literature of the seminar (see below), but they are also requested to review additional literature relating to the topics and discussions. This will include searching for research papers on their own and summarizing them in a professional way.

The course language is English and the paper and presentation should be in English as well.

The formal course requirements are a written paper and an oral presentation including a handout.

Deadlines

Term paper submission: 17th of April (10-15 pages)

Handout submission: 19th of April (1-2 pages).

All requirements and the schedule of the seminar will be discussed in more detail on the orientation day at IfW, Room A-S25, on Monday, 12th March, 4pm-5:30pm.

Main readings

- Acemoglu, Daron, Suresh Naidu, Pascual Restrepo, and James A. Robinson. forthcoming. "Democracy Does Cause Growth." *Journal of Political Economy*.
- Acemoglu, Daron, Georgy Egorov, and Konstantin Sonin. 2013. "A Political Theory of Populism." *The Quarterly Journal of Economics* 128.2: 771-805.
- Acemoglu, Daron, Simon Johnson, James A. Robinson, and Pierre Yared. 2008. "Income and Democracy." *American Economic Review* 98.3: 808-842.
- Algan, Yann, Sergei M. Guriev, Elias Papaioannou, and Evgenia Passari. 2017. "The European Trust Crisis and the Rise of Populism." CEPR DP 12444.
- Becker, Sascha O., Thiemo Fetzer, and Dennis Novy. 2017. "Who Voted for Brexit? A Comprehensive District-level Analysis." *Economic Policy* 32.92: 601-650.
- Colantone, Italo, and Piero Stanig. forthcoming. "The Trade Origins of Economic Nationalism: Import Competition and Voting Behavior in Western Europe." *American Journal of Political Science*.
- De Bromhead, Alan, Barry Eichengreen, and Kevin H. O'Rourke. 2013. "Political Extremism in the 1920s and 1930s: Do the German Lessons Generalize?" *Journal of Economic History*: 371-406.
- Dippel, Christian, Robert Gold, and Stephan Heblich. 2015. "Globalization and its (Dis-)content: Trade Shocks and Voting Behavior." NBER WP 21812.
- Dorn, David, Gordon Hanson, and Kaveh Majlesi. 2016. "Importing Political Polarization? The Electoral Consequences of Rising Trade Exposure." NBER WP 22637.
- Dornbusch, Rüdiger, and Sebastian Edwards. 1990. "Macroeconomic Populism." *Journal of Development Economics* 32.2: 247-277.
- Dustmann, Christian et al. 2017. "Europe's Trust Deficit: Causes and Remedies." CEPR Press.
- Funke, Manuel, Moritz Schularick, and Christoph Trebesch. 2016. "Going to Extremes: Politics After Financial Crises, 1870–2014." *European Economic Review* 88: 227-260.
- Guiso, Luigi, Helios Herrera, Massimo Morelli, and Tommaso Sonno. 2017. "Demand and Supply of Populism." CEPR WP 610.
- Guriev, Sergei, and Daniel Treisman. 2015. "How Modern Dictators Survive: An Informational Theory of the New Authoritarianism." NBER WP 21136.
- Inglehart, Ronald F., and Pippa Norris. 2016. "Trump, Brexit, and the Rise of Populism." Harvard Kennedy School, Faculty Research WP 16-026.
- Mudde, Cas, and Cristóbal Rovira Kaltwasser. 2017. *Populism: A Very Short Introduction*. Oxford: Oxford University Press.
- Müller, Jan-Werner. 2017. *What is Populism?*, Penguin UK.
- Rodrik, Dani. 2017. "Populism and the Economics of Globalization." NBER WP 23559.
- Rodrik, Dani. 2011. *The Globalization Paradox: Why Global Markets, States, and Democracy Can't Coexist*. Oxford: Oxford University Press.
- Sachs, Jeffrey. 1990. "Social Conflict and Populist Policies in Latin America." *Labour Relations and Economic Performance*: 137-169.
- de la Torre, Carlos. 2014. "Populism in Latin American Politics." *The Many Faces of Populism: Current Perspectives*. Emerald Group Publishing Limited: 79-100.

Contact

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