

THE POLITICAL ECONOMY OF FINANCE

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Course Description: This constitutes the first half of the course Miscellaneous Topics in Finance. The course covers several topics in the political economy of finance. It defines economic and political institutions and discusses the mechanisms through which they may impact social welfare. It also examines the emergence of institutions and possible reasons some countries may have better institutions than others. Since financial activity depends heavily on a country's institutional quality, it can be greatly impacted by the institutional framework and the rule of law. The course discusses how institutions may affect financial activity in society. It also introduces the concept of culture and examines link between culture and finance.

Grade: The grade will be based on an extensive take-home exam at the end of the course.

1. Institutions and Economic Prosperity

Acemoglu, Daron. "Reward Structures and the Allocation of Talent," *European Economic Review*, 39, January 1995, p. 17-33.

Acemoglu, Daron, Simon Johnson, and James Robinson. "The Colonial Origins of Comparative Development: An Empirical Investigation," *American Economic Review*, December 2001, p. 1369-1401.

Acemoglu, Daron, Simon Johnson, and James Robinson. "Reversal of Fortune: Geography and Institutions in the Making of the Modern World Income Distribution," *Quarterly Journal of Economics*, November 2002, p. 1231-1294.

Djankov, Simeon, Rafael La Porta, Florencio Lopez-de-Silanes, and Andrei Shleifer. "The Regulation of Entry," *Quarterly Journal of Economics*, February 2002, p. 1-37.

Glaeser, Edward, Rafael La Porta, Florencio Lopez-de-Silanes, and Andrei Shleifer. "Do Institutions Cause Growth?" *Journal of Economic Growth*, 9(3), 2004, p. 271-303.

Murphy, Kevin, Andrei Shleifer and Robert Vishny. "The Allocation of Talent: Implications for Growth," *Quarterly Journal of Economics*, 106, May 1991, p. 503-530.

Murphy, Kevin, Andrei Shleifer, and Robert Vishny. "Why is Rent Seeking so Costly to Growth?" *American Economic Review*, 83, May 1993, p. 409-414.

2. Politics and the Emergence of Institutions

Acemoglu, Daron. "Politics and Economics in Weak and Strong States," *Journal of Monetary Economics*, October 2005, p. 1199-1226.

Acemoglu, Daron. "Oligarchic versus Democratic Societies," *Journal of the European Economic Association*, March 2008, p. 1-44.

Acemoglu, Daron, Simon Johnson, James A. Robinson, and Pierre Yared. "Income and Democracy," *American Economic Review*, 98, June 2008, p. 808-842.

Acemoglu, Daron and James Robinson. "Political Losers as a Barrier to Economic Development," *American Economic Review*, May 2000, p. 126-130.

Acemoglu, Daron, and James Robinson. "Persistence of Power, Elites and Institutions," *American Economic Review*, March 2008, p. 267-293.

Boix, Carles. "Democracy, Development, and the International System," *American Political Science Review*, 105, November 2011, p. 809-828.

Garcia-Jimeno, Garcia and James Robinson. "The Myth of the Frontier," Kennedy School of Government, Harvard University, Working Paper, February 2009.

Glaeser, Edward and Andrei Shleifer. "Legal Origins," *Quarterly Journal of Economics*, 2002, p. 1193-1230.

Parente, Stephen, and Edward Prescott. "Monopoly Rights: A Barrier to Riches," *American Economic Review*, December 1999, p. 1216-1233.

3. Politics, Institutions, and Finance

Acemoglu, Daron, and Simon Johnson. "Unbundling Institutions," *Journal of Political Economy*, October 2005, p. 949-995.

Besley, Timothy, and Torsten Persson. "The Origins of State Capacity: Property Rights, Taxation and Politics," *American Economic Review*, September 2009, p. 1218-1244.

Burkart, Mike, Panunzi Fausto, and Andrei Shleifer. "Family Firms," *Journal of Finance*, October 2003, p. 2167-2201.

La Porta Rafael, Florencio Lopez-de-Silanes, Robert Vishny, and Andrei Shleifer. "Law and Finance," *Journal of Political Economy*, December 1998, p. 1113-1155.

La Porta Rafael, Florencio Lopez-de-Silanes, and Andrei Shleifer. "Government Ownership of Banks," *Journal of Finance*, February 2002, p. 265-301.

Pagano, Marco, and Paolo Volpin. "The Political Economy of Corporate Governance," *American Economic Review*, September 2005, p. 1005-1030.

Rajan, Raghuram, and Luigi Zingales. "The Great Reversals: The Politics of Financial Development in the 20th Century," *Journal of Financial Economics*, July 2003, p. 5-50.

4. Culture and Finance

Guiso, Luigi, Paola Sapienza, and Luigi Zingales. "The Role of Social Capital in Financial Development," *American Economic Review*, 94, June 2004, p. 526-556.

Guiso, Luigi, Paola Sapienza, and Luigi Zingales. "Long-term Persistence," Dept of Finance, University of Chicago, Working Paper, August 2008.

Guiso, Luigi, Paola Sapienza, and Luigi Zingales. "Cultural Biases in Economic Exchange?" *Quarterly Journal of Economics*, August 2009, p. 1095-1131.

Kanatas, George, and Christodoulos Stefanadis. "Ethics, Welfare, and Capital Markets," *Games and Economic Behavior*, 87, September 2014, p. 34-49.

Stulz, Rene and Rohan Williamson. "Culture, Openness and Finance," *Journal of Financial Economics*, December 2003, p. 313-349.

Tabellini, Guido. "The Scope of Cooperation: Values and Incentives," *Quarterly Journal of Economics*, August 2008, p. 905-950.