

Interest groups, State Capture and Rent-Seeking

Special Interest Politics (2 credits)

Lecturer: Attila Fölsz folsza@ceu.edu

Class:

Office hours:

Course description and objective:

The course introduces students to the theory and current issues in the study of special interest politics, discussing the most salient questions of the scholarly research:

- What are the patterns of state capture and rent-seeking patterns associated with different fields of public policy?
- How do special interests and rent-seeking affect economic development (and vice versa)?
- What are the specificities of a captured state and economy? how and what institutional specificities do facilitate and hamper rent-seeking behavior?
- How does exposure to rent-seeking transforms different political economies

The course does not require any background in economics.

Learning outcomes:

Students will be acquainted with the themes of special interest politics and (to a minor extent) the analytical apparatus of the public choice perspective of rent-seeking. The acquired knowledge will enable them to pursue individual empirical research on concrete incidents of rent-seeking and corruption.

Teaching format:

Each topic is studied in class in a reading seminar format. Students are expected to read the assigned texts prior the classes.

Requirements

- Students are required to attend classes regularly and to participate actively in course discussions.
- Students are expected to formulate written comments and questions about the literature. These not more than half page long comments and questions will serve as basis for class discussions, and are to be submitted via e-mail by 8 pm be preceding the day of the seminar.
- Students will write a short written test on the 7th class.
- Students make in-class presentations of some literature not included in the core readings or on their final essay topic.
- Students can choose whether to write either
 - an in-class final exam or
 - an around 1500 word essay (case-study) on a concrete problem of rent-seeking behaviour preferably in their home country and submit within a week after the 12th class. (The content of the essay is also to be presented in one of the last classes. see above)

Assessment:

In-class participation	10 %
Written questions and comments:	15 %
Short mid-term test)	25 %
In-class presentation	10 %
Final essay or in-class exam	40 %

1: Introduction: Special interest influence and state capture

Carpenter, Daniel and David A. Moss (2013): Introduction. In: Carpenter, Daniel and David A. Moss (eds): Preventing Regulatory Capture: Special Interest Influence and How to Limit it. Cambridge University Press 2013

2: The theory of public choice and the theory of rents and rent-seeking

Tollison Robert D (2012). The economic theory of rent seeking Public Choice 152:73–82

McChesney, Fred S (1987) : Rent Extraction and Rent Creation in the Economic Theory of Regulation, Journal of Legal Studies Vol 16, January 1987

3: Rent-seeking: the original approach(es)

Tullock, Gordon (1967): The Welfare Costs of Tariffs, Monopolies and Theft., Western Economic Journal, 5 (June), 224-32.

Krueger, Anne O. (1974): The Political Economy of Rent Seeking Society, American Economic Review, 64(3), 291-303

Bhagwati, Jagdish N. (1982): “Directly Unproductive Profit-Seeking (DUP) Activities, Journal of Political Economy, 90, 988–1002.

4: Special interests, rents and development: the costs and “benefits” of rent-seeking

Kevin M. Murphy, Andrei Shleifer, and Robert W. Vishny, 1993. Why is rent seeking so costly to growth? American Economic Review 83, 409–14.

Mushtaq H. Khan.: Chapter 1. Rents, Efficiency and Growth (in Khan, M.H. and Jomo K.S. ed. Rents, Rent-Seeking and Economic Development: Theory and Evidence in Asia. Cambridge: Cambridge University Press 2000).

Méon, P.-G., & Weill, L. (2010). Is corruption an efficient grease? World Development, 38(3), 244–259

5: Rent-seeking and inequalities

Piketty, Thomas (2015): A historical approach to property, inequality and debt: reflections on capital in the 21st century’, CESifo Forum, vol. 16, no. 1 (Spring), 40–49

Mihályi, Péter, Iván Szelényi (2016): Two different sources of inequalities: profits and rents in advanced market economies. Discussion papers MT-DP – 2016/30 Institute of Economics, Centre for Economic and Regional Studies, Hungarian Academy of Sciences

6: Rent-seeking and corruption

Toke S. Aidt (2016): Rent seeking and the economics of corruption. Constitutional Political Economy /Volume 27, Issue 2, June 2016 Special Issue: Gordon Tullock and Constitutional Political Economy

Lambsdorff, J. G. (2002): Corruption and rent seeking. Public Choice, 113(1–2), 97–125.

7: Resource curse, aid curse and the rentier state

Robert T. Deacon and Ashwin Rode (2017): Rent Seeking and the Resource Curse

Rune Jansen Hagen (2017) Rents and the Political Economy of Development Aid

both in: Arye L. Hillman, Roger D. Congleton (2016): Companion to the Political Economy of Rent Seeking. Edward Elgar Publishing Ltd

Djankov, S., Montalvo, J.G. & Reynal-Querol, M (2008) . The Curse of Aid Journal of Economic Growth (2008) 13: 169.

8: Rent-seeking and institutions

Halvor Mehlum, Karl Moene, and Ragnar Torvik,(2006). Institutions and the resource curse. Economic Journal 116, 1–20.

Roger D. Congleton, “Rent Seeking and Political Institutions” The Encyclopedia of Public Choice, C. K. Rowley and F. Schneider, Ed.sKluwer Academic Press

9: The political economy of governance quality

Keefer, Philip (2004) “A Review of the Political Economy of Governance: From Property Rights to Voice.” World Bank Policy Research Working Paper No. 3315.

Rothstein, Bo; Teorell, Jan (2008). What Is Quality of Government? A Theory of Impartial Government Institutions. Governance, 21, (2), 165 - 190

10: Types of rent-seeking societies and political regimes

Méndez, F., & Sepúlveda, F. (2006). Corruption, growth and political regimes: Cross country evidence. European Journal of Political Economy, 22(1), 82–98

Paul Dragos Aligica, Vlad Tarko (2012): State capitalism and the rent-seeking conjecture. Constitutional Political Economy / Volume 23, Issue 4, December 2012

Paul Dragos Aligica, Vlad Tarko (2014) Crony Capitalism: Rent Seeking, Institutions and Ideology. KYKLOS, Vol. 67 – May 2014 – No. 2, 156–176

11: State-capture and rent-seeking in post-communism

Hellman, Joel (1998): Winners Take All: The Politics of Partial Reform in Post-communist Transitions. World Politics 50, no. 2: 203–34.

Innes, Abby (2014): “The Political Economy of State Capture in Central Europe.” Journal of Common Market Studies 52 (1): 88–104

Mihályi, Péter and Ivan Szelényi (2017): The role of rents in the transition from socialist redistributive economies to market capitalism". Comparative Sociology vol. 16, no. 1

12: Summary, closing discussion and leftovers

Mushtaq H. Khan: Chapter 2. Rent-Seeking as Process (in Khan, M.H. and Jomo K.S. ed. Rents, Rent-Seeking and Economic Development: Theory and Evidence in Asia. Cambridge: Cambridge University Press 2000)

Further texts (for presentations?):

- Hessami, Z. (2014):. Political corruption, public procurement, and budget composition: Theory and evidence from OECD countries. *European Journal of Political Economy*, 34, 372–389
- Aidt, T. S., & Dutta, J. (2008):. Policy compromises: Corruption and regulation in a democracy. *Economics and Politics*, 20(3), 335–36
- Becker, Gary S. (1985). Public policies, pressure groups, and dead weight costs. *Journal of Public Economics* 28(3), 329-347
- Arye L. Hillman(2017): Rents and International Trade Policy in: Arye L. Hillman, Roger D. Congleton (2016): Companion to the Political Economy of Rent Seeking. Edward Elgar Publishing Ltd
- Chen, Kang, & Liu Qijung (2015): Economic development and corruption in China in the shadow of rent seeking. In: Roger D. Congleton and Arye L. Hillman (eds.): Companion to the Political Economy of Rent Seeking, Edward Elgar, Cheltenham UK, pp. 395-409.
- Uribe, Carlos Andrés. 2014. “The Dark Side of Social Capital Reexamined from a Policy Analysis Perspective: Networks of Trust and Corruption.” *Journal of Comparative Policy Analysis: Research and Practice* 16 (2): 175–89.
- Jakob Svensson,(2000): Foreign aid and rent seeking. *Journal of International Economics* 51, 437–61.
- Wedel, Janine R. (2003) “Clans, Cliques and Captured States: Rethinking ‘Transition’ in Central and Eastern Europe and the Former Soviet Union.” *Journal of International Development* 15 (4): 427–40
- Roger D. Congleton (1980). Competitive process, competitive waste, and institutions. In James M. Buchanan, Robert D. Tollison, and Gordon Tullock (eds.), *Toward a Theory of the Rent-Seeking Society*. Texas A&M University Press, College Station, pp. 153–79
- Keefer, Philip(2005): Democratization and clientelism: Why are young democracies badly governed? *World Bank Policy Research Working Paper* 3594 , May 2005
- Uribe, Carlos Andrés. 2014. “The Dark Side of Social Capital Reexamined from a Policy Analysis Perspective: Networks of Trust and Corruption.” *Journal of Comparative Policy Analysis: Research and Practice* 16 (2): 175–89.