

**SS 200 - Brief course description.
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Topics in Political Economy

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Division of Humanities and Social Sciences**

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In the last few years the world map and national borders have been redrawn quite dramatically. This process of change is probably far from over as a large number of secessionist movements mushroom across the globe. In this course we will attempt to analyze economical and political reasons that prompt regions or provinces to be apart or together. Then we will try to establish criteria for national redistribution policies that would prevent a threat of secession. We will evaluate the impact that a threat of secession may have on the income distribution and transfers from the central government to the regions. It turns out that the structure of transfer payments is closely related to the degree of polarization of citizens' characteristics within the country. First, we will deal with the theoretical examination of the problem and, if time permits, we will turn our attention to an empirical analysis of various countries.

Reading List

Bolton, P. , Roland, G. and E. Spolaore (1996) , "Economic Theories of the Breakup and Integration of Nations", *European Economic Review* 40, 697-706.
Friedman, D. (1977) , "A Theory of the Size and Shape of Nations", *Journal of Political Economy* 85, 59-77.
Wittman, D. (1991), "Nations and States: Mergers and Acquisitions, Dissolution and Divorce", *American Economic Review, Papers and Proceedings*, 81, 126-129.
Young, R. (1998) , "Secession Games", in *Palgrave Dictionary of Economics and the Law*, P. Newman, ed., Stockton Press, New York.

Large versus Small: Efficiency and Stability Analysis

Alesina, A. and E. Spolaore (1996), "International Conflict, Defense Spending and the Size of the Countries", NBER, Working Paper, # 5694.
Alesina, A., Spolaore, E. and R. Wacziarg (1997), "Economic Integration and Political Disintegration", NBER Working Paper.
Alesina, A. and E. Spolaore (1997), "On the Number and Size of Nations", *Quarterly Journal of Economics*, 113, 1027-1056.
Barro, R.J. (1998) *Getting it Right*, The MIT Press, Cambridge.
Casella, A. (1992), "On Markets and Clubs: Economic and Political Integration of Regions with Unequal Productivity", *American Economic Review, Papers and Proceedings*, 82, 115-121.
Cremer, H., De Kerchove, A.M. and J.J. Thisse (1985), "An Economic Theory of Public Facilities in Space", *Mathematical Social Sciences* 9, 249-262.
Easterly, W. and S. Rebello (1993), "Fiscal Policy and Economic Growth: An Empirical Investigation", *Journal of Monetary Economics*, 32, 417-458.

Constitutional and Contractual Analysis of Federations

Bordignon, M. and S. Brusco (1999), "Optimal Secession Rules", Mimeo, Catholic University of Milan.
Jehiel, P. and S. Scotchmer (1997), "Constitutional Rules of Exclusion in Jurisdiction Formation", GGSP Working Paper # 231, University of California at Berkeley.
Persson, T. and G. Tabellini (1996a), "Federal Fiscal Constitutions: Risk Sharing and Moral Hazard", *Econometrica* 64, 623-646.

Persson, T. and G. Tabellini (1996b), "Federal Fiscal Constitutions: Risk Sharing and Redistribution", *Journal of Political Economy* 104, 979-1009.

Income Distribution and a Threat of Secession

Bolton, P. and G. Roland (1996), "Distributional Conflicts, Factor Mobility, and Political Integration", *American Economic Review, Papers and Proceedings*, 86, 99-104.

Bolton, P. and G. Roland (1997), "The Break-Up of Nations: A Political Economy Analysis", *Quarterly Journal of Economics* 113, 1057-1090.

Buchanan, J.M. and R.I. Faith (1987), "Secessions and the Limits of Taxation: Towards a Theory of Internal Exit", *American Economic Review* 77, 1023-31.

Fidrmuc, J. (1999), "Stochastic Shocks and Incentives for (Dis)Integration", CEPR Working paper # 2104.

Olofsgard, A. (1999), "Secessions and Nationalism in a Model with Size Externalities and Imperfect Mobility", Mimeo, Institute for International Economic Studies, Stockholm.

Persson, T. and G. Tabellini (1999), "Political Economics and Public Finance", Mimeo, Bocconi University.

Fiscal Decentralization, Threat of Secession and Redistributive Policies

Ahmad, E. and J. Craig (1997), "Intergovernmental Transfers" in *Fiscal Federalism in Theory and Practice*, International Monetary Fund, Washington. D.C.

LeBreton, M. and S. Weber (2000), "The Art of Making Everybody Happy: How to Prevent a Secession", Working paper.

Spahn, P.B. and W. Föttinger (1997), "Germany" in *Fiscal Federalism in Theory and Practice*, International Monetary Fund, Washington. D.C.

Dabla-Norris, E., Martinez-Vasquez, J. and J. Norregaard (2000), "Fiscal Federalism in Russia, Ukraine and Kazakhstan", Discussion paper.

Dabla-Norris, E., Norregaard, J. and S. Weber (2000), "Fiscal Regional Disparities and Center-Region Transfers in Russia: Theory and Evidence", Discussion paper.

Theoretical Appendix

Caplin, A. and B. Nalebuff (1991), "Aggregation and Social Choice: A Mean Voter Theorem", *Econometrica* 59, 1-24.

Greenberg, J. and S. Weber (1986), "Strong Tiebout Equilibrium Under Restricted Preferences Domain", *Journal of Economic Theory* 38, 101-117.

Guesnerie, R. and C. Oddou (1981), "Second Best Taxation as a Game", *Journal of Economic Theory* 25, 67-91.

Weber, S. (1992), "On Hierarchical Spatial Competition", *Review of Economic Studies* 59, 407-425.