

Political Specialization

Bernardo Guimaraes ¹, Kevin D²

¹ São Paulo School of Economics, FGV

² London School of Economics

Resumo/Abstract:

This paper presents a theory of political specialization in which some countries uphold the rule of law while others consciously choose not to do so, even though they are ex ante identical. This is borne out of two key insights: for incumbents in each country, (i) the first steps to the rule of law have the greatest private cost, and (ii) steps taken by some countries in the direction of the rule of law make it less attractive for others to follow the same path. The world equilibrium features a symbiotic relationship between despotic and rule-of-law economies: by producing technology-intensive goods that require protection of property rights, rule-of-law economies raise the relative price of natural resources and increase incentives for despotism in other countries; while the choice of despotism entails a positive externality because cheap oil makes the rule of law more attractive elsewhere in the world.