

The Political Economy of Middle Income

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Rochester

Comments: Dorothy Kronick

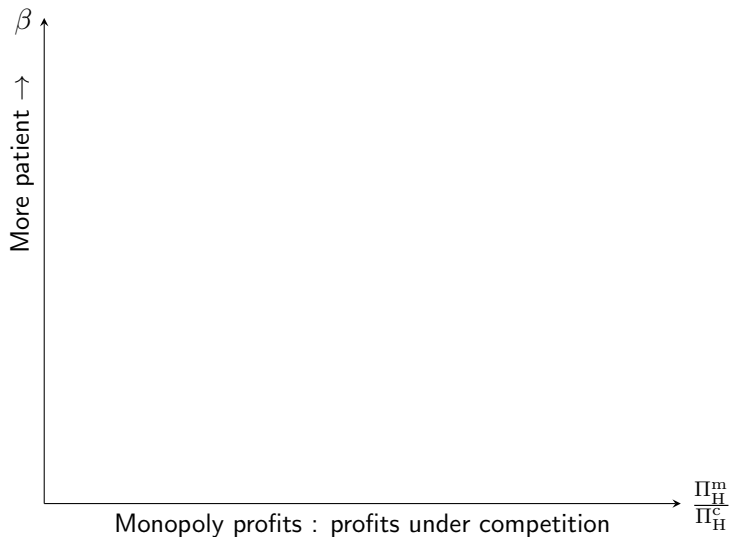
Two contributions

- **Characterize** political economy of middle-income countries
 - Low income: no property rights
 - Middle income: selective property rights
 - High income: broad property rights
- **Explain** conditions under which middle income is (surprisingly) optimal

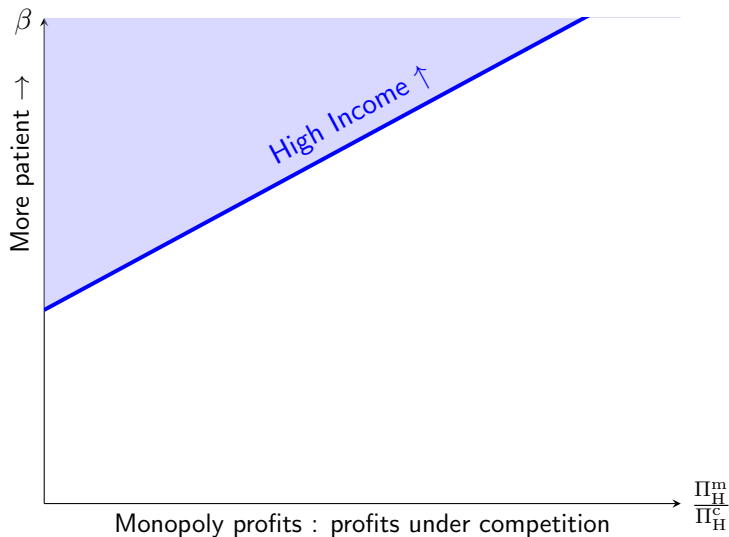
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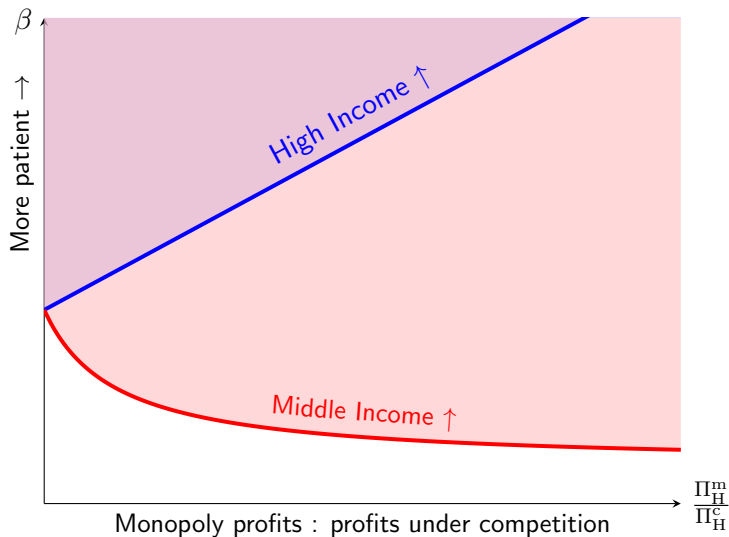
When is middle income as good as it gets?



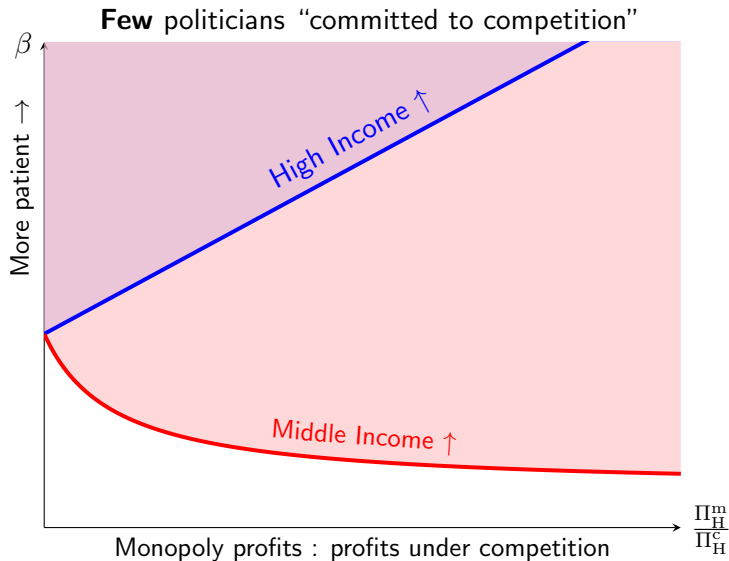
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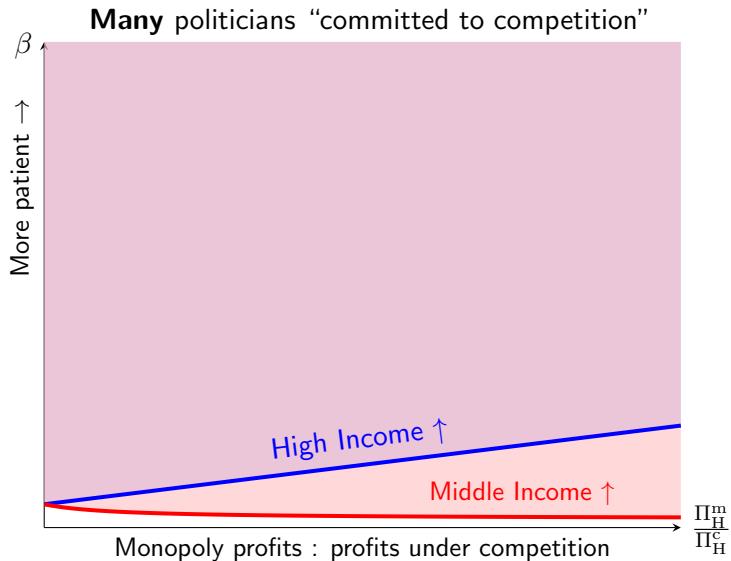
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When is middle income as good as it gets?



Three comments

1. Sources of “Ideological commitment to competition”?
2. Connection between case studies and model?
3. Falling from middle income?

Is this a redemption paper?

- Models redeeming middle-income political economy
(e.g. Dworzak et al. 2021; Acemoglu et al. 2013; Hirschman 1987)
- Spirit: The problem is with theory, not with people in middle-income countries
- **But** results here are driven by the character (types) of politicians
- **Idea:** say more about the sources of “ideological commitment to competition”

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Possible sources of “commitment to competition”

- Distribution of labor types/skills θ^ϕ ? Representation of labor?
- Technology A ?
- Political power of the disfavored firm?
- Other taxes?
- Modes of premodern survival \rightarrow culture?

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Case studies: entertainment value

Tommy was granted the contract to build a toll highway south of the capital, a move widely interpreted as a consolation prize for losing the competition to build a toll road north of the capital to another company: his sister's.

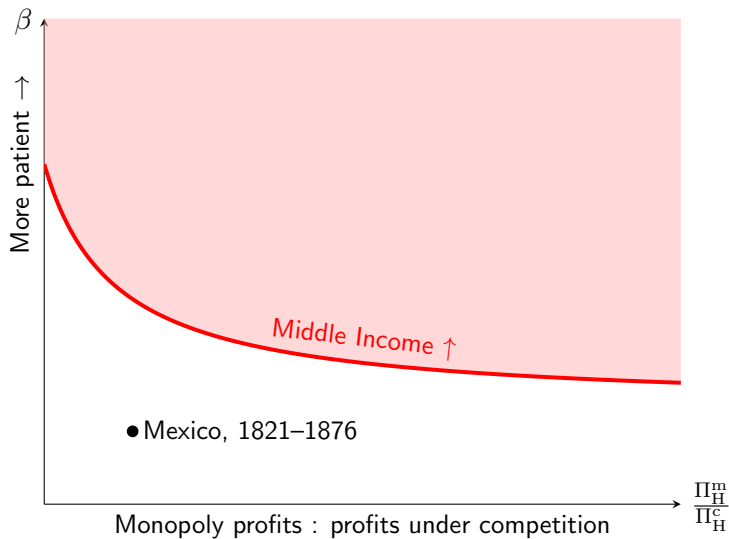
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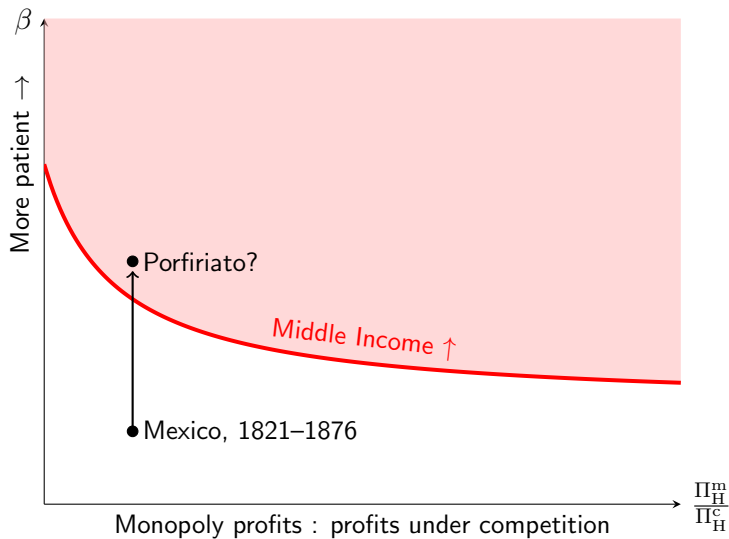
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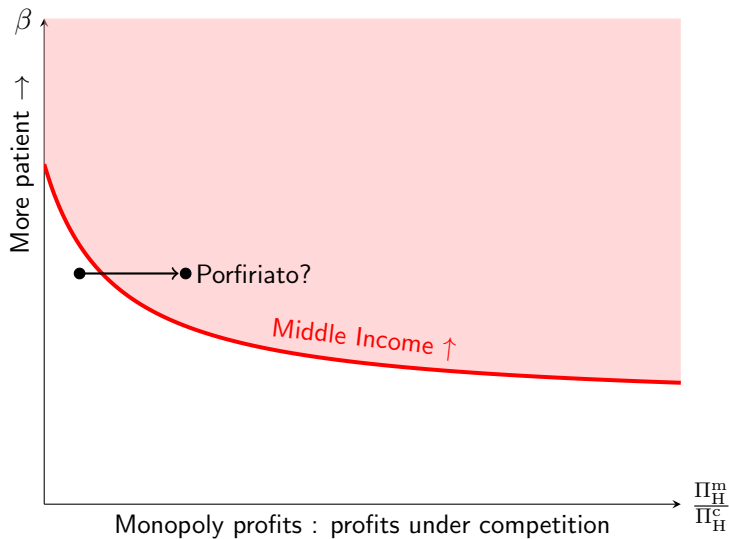
How does Mexico get to middle income?



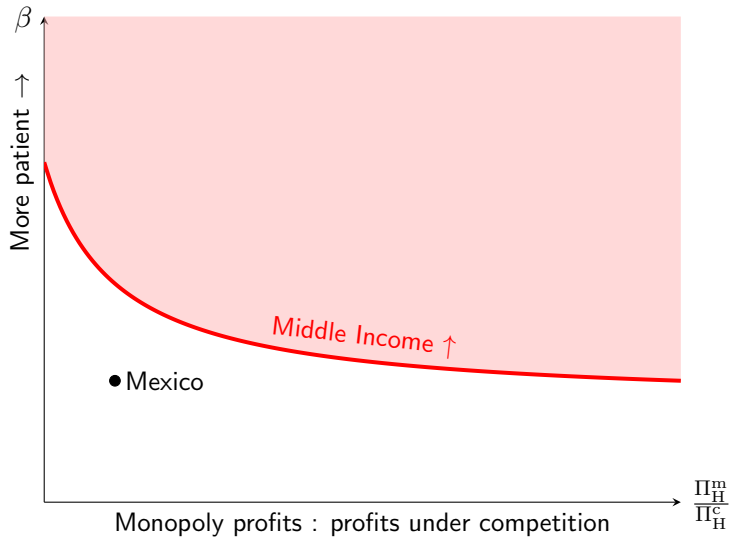
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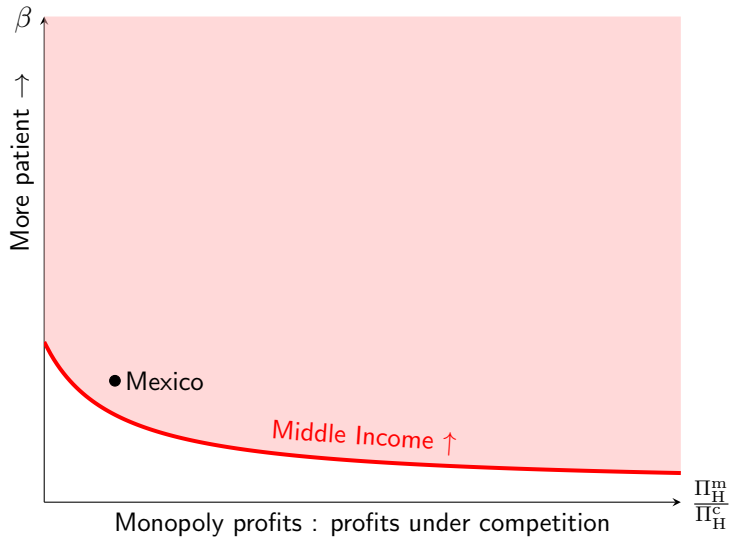
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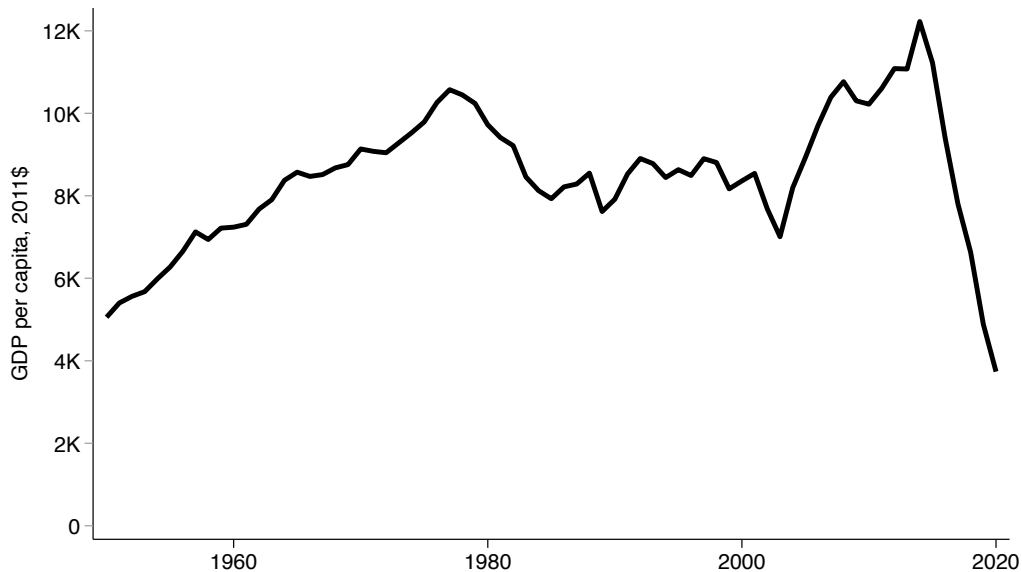
CANTV



Crony capitalism in Venezuela



Falling from middle income



**CONSTITUCIÓN
DE LA
REPÚBLICA
BOLIVARIANA
DE
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24 DE MARZO DE 2000



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