The Political Economy of Progress:
Lessons from Gavin Wright's Work on the Causes and Consequences of the New Deal

Robert K. Fleck
Department of Agricultural Economics and Economics
Montana State University
Bozeman, MT 59717
phone: (406) 994-5603
e-mail: rfleck@montana.edu

August 21, 2008

Abstract: This paper reviews some of Gavin Wright's major contributions to the literature on the New Deal and the 1930s, then explains why the central ideas in his work are so important. In recent years, the complex relationship between policy, institutions, and economic performance has taken center stage in economic research. One of the main goals has been to identify how countries can move from an outcome with poor institutions and low income to an outcome with better institutions and higher income. Any scholar interested in this topic (and hence virtually any economist) can gain much insight from Wright's work on the political economy of the New Deal, and from his explanation of why the New Deal put the South on the path to long run change. When reading Wright's explanation of the eventual transformation of the Old South's political institutions, keeping the broader context of economic development in mind will reveal the remarkable depth of Wright's interpretation of American history.

Acknowledgments: I thank Andy Hanssen for many helpful comments.

I. Introduction

Although economists have long recognized that history and institutions matter (e.g., Smith 1776), the literature seeking to explain history and institutions in ways that can inform public policy remains very much a work in progress. Of course, the reason is not so much a lack of effort but rather the nature of the topic and, in particular, the details-versus-generalizations balancing act necessary for policy-relevant research. On the one hand, if an explanation of a successful or failing economy relies too much on particular historical or institutional details, that explanation becomes essentially worthless for guiding policy – because the future will not repeat all the details of the past. Yet on the other hand, ignoring the complex way that historical events have shaped institutions can lead to overly simplistic recommendations for reforms: It is usually not easy for floundering countries to copy successfully the policies and institutions that have worked well elsewhere. In this light, the most valuable insights into the nature of economic progress will come from scholars who can combine the core principles of economic theory with a rich understanding of history and institutions, then derive general lessons that can illuminate events in other times and places.

Gavin Wright's work on the 1930s epitomizes a successful balance between the application of core economic principles and the analysis of historical and institutional details. To demonstrate this point, I will examine two of Wright's seminal contributions to the understanding of the United States in the1930s and the changes that decade brought to the political system and the economy. One of these contributions is his 1974 article, "The Political Economy of New Deal Spending: An Econometric Analysis." The other is his now-classic explanation of the interplay between the political system and the economy of the South, including why the system was so resistant to change but eventually did change; this explanation is developed in several of Wright's publications, but the core argument is stated succinctly in his 1986 book, *Old South, New South* (especially in Chapter 7, "The Interwar Years: Assault on the Low-Wage Economy"). Rather than merely review what Wright said, I will explain his major insights in a manner that links his analysis of New Deal spending patterns to his analysis of institutional change in the South – institutional change that was, to a large degree, set in motion by the New Deal. By linking these two pieces of Wright's research, I will be able to show how Wright's work can inform current research, including that on endogenous institutions.

For scholars seeking to understand institutional change and economic performance, the transformation of the Old South into the New South has long been an obvious candidate for study. Indeed, it would be difficult to read American history without noticing the Old South's strikingly "bad" institutions – most infamously the disenfranchisement of so many citizens in a country famous for its democratic institutions (e.g., Key 1949). Unsurprisingly, then, there is nothing new in looking to the South for an example of how to move from an outcome with poor institutions and low income to an outcome with better institutions and higher income. Furthermore, it is obvious that national-level policy, especially with respect to the treatment of African Americans, played a role in changing the South; this makes the South especially appealing for the study of what policy reforms can accomplish. Yet it is also easy to identify major challenges for those who seek to draw general lessons with respect to the prospects for transformations elsewhere. Looking around the world today, the typical scenario for seriously derailed economic development is not that of a region with poor institutions and low income in an otherwise wealthy democracy; rather, it is that of an entire country in which poor institutions (and the consequent poor policy) hinder overall economic progress. As Wright (1986, 16) stated:

> The southern case is often seen as an economic success story to be held out as an example to the poor countries of the world, a region that managed to "break the vicious circles that thwart development." Perhaps it is more accurate to say that a new economy has moved into the geographic space formerly occupied by the old one.

In this light, if an explanation of the South's successful changes is to have broad relevance to policy (and Wright's does), the logic of the explanation cannot rest on political or economic circumstances unique to the South, or even circumstances specific to a relatively less developed region of a wealthy country. Nor can the explanation be wedded too closely to particular politicians or events specific to the United States as whole. Yet the explanation must keep the nature of the South at the forefront, because the South truly was unique.

How, then, did Wright succeed in presenting the history of the South (and its position in relation to the nation as a whole) in a manner that informs us about the central issues in the political economy of development? A principal factor, I will argue, is his precision in the application of theory. In Wright's use of mathematics and plain language, it is always clear what *constraints* and, hence, *incentives* are posited to be influencing behavior. Wright's focus on constraints and incentives enables him to interpret the facts about the New Deal and the South in a manner that generates broadly applicable findings – something that cannot be said of scholars who emphasize instead the preferences of particular politicians or the peculiarities of southerners.

Before proceeding, a clarification is in order. It would be incorrect to interpret Wright's work or my arguments in this paper (or, for that matter, mainstream economics) as asserting that the preferences of individuals are irrelevant to the explanation of major social changes. Rather, the point is that when individuals act on the basis of their preferences, they respond to the incentives determined by the constraints they face. Regardless of what Franklin Roosevelt and other New

Dealers actually desired to achieve, they operated within a set of constraints. The same is true of Martin Luther King, Jr., Nelson Mandela, and other great leaders. In Wright's (1986, 269) words, "The greatest human accomplishments only occur when they happen to be possible."

My objective in the following sections of this paper is to show the reader how Wright provided us with both theoretical insights and evidence relevant to what one could easily describe (as do Mukand and Rodrik 2005) as the Holy Grail in economics: Why some countries (or regions of countries) succeed, while others fail, to establish good institutions and policies. A fuller appreciation of Wright's contributions will advance the literature on endogenous institutions and growth, and demonstrate the depth of Wright's insight into the New Deal and the South.

II. The Effects of Institutions on Policy: The Political Economy of New Deal Spending

Wright (1974) models a president who allocates federal funds among states in the manner that maximizes his or her expected electoral vote total. The model is an ingeniously straightforward application of constrained optimization and generates clear, testable implications. This is a major accomplishment – recall that the most famous theoretical results for democratic decision-making involve cycling and "chaos" rather than empirically applicable comparative statics.[1] More specifically, Wright's model generates two key predictions about spending patterns. First, swing states (relative to loyally partisan states) will receive more money, ceteris paribus, because competition between political parties gives those states more electoral weight. Second, states with more electoral votes per capita (i.e., states with few people) will obtain more federal spending per

---

[1]These are, most notably, Condorcet's paradox, Arrow's Impossibility Theorem, and McKelvey's Chaos Theorem; see, e.g., McKelvey (1979).

capita, ceteris paribus, because the apportionment of Electoral College votes and congressional seats gives those states more weight per capita.

To test his model, Wright examines a cross-section of state-level data on per capita New Deal spending over the years 1933-1940.[2] To measure a state's weight in the electoral college (in units appropriate for a per capita spending regression), he uses electoral votes per capita (denoted V/POP).[3] To test his model's predictions with respect to swing states, he develops the variable SD: the standard deviation around the trend in the Democratic vote share in presidential elections, 1896-1932. Because this variable measures the propensity of a state's electorate to switch with respect to the party it supported in presidential elections (calculated over the years following the previous partisan realignment), it proxies for the extent to which additional spending would change election margins. Wright also develops proxy for the political productivity of spending in a state (denoted VL32); this variable summarizes the way in which Wright's theoretical model predicts that V/POP and SD, along with a forecast of the Democratic vote share, would influence spending (Wright 1974, 31-33). To control for other factors, Wright employs a variety of economic variables, including measures of income decline, unemployment, the size of the farm population, and the amount of

[2]Prior to Wright's analysis of New Deal spending, Arrington (1969) presented the state-level, cross-sectional data; he found that per capita spending varied greatly between regions and appeared to favor states with higher incomes. He suggested a variety of potential explanations, including the possibility that electoral concerns produced low per capita spending in the South because "the South was safe in the Democratic fold and did not need as much economic bribing" (Arrington 1969, 312). As a potential explanation for low spending in the low-income South, Reading (1973) argued that spending appeared to be designed to restore incomes to pre-Depression levels rather than to equalize incomes between regions. Reading again raised the question of whether electoral concerns influenced the allocation of funds.

[3]Although some of the subsequent literature (e.g., Anderson and Tollison 1991; Wallis 1998, 2001) has emphasized Wright's predictions as pertaining specifically to the Electoral College and the president's incentives, Wright did not focus narrowly on presidential politics. Notably, Wright (1974, 33) explains that V/POP measures congressional representation (because V/POP equals members of Congress per capita) and could proxy for incentives to allocate funds in an effort to logroll congressional votes.

federal land in the state (as a percentage of total land in the state).

The empirical support for Wright's model is striking. For a variety of specifications, Wright found substantial estimated effects of his political variables on spending: higher spending per capita in swing states and in states with more electoral votes per capita; or, in alternative specifications, higher spending in politically productive states (as indicted by VL32). Moreover, Wright's political variables can account for much of the variation in per capita spending, and this holds across the alternative specifications.[4] In short, Wright showed that the New Deal distributed funds in line with what his model predicts.

It is worth mentioning here that Wright's theoretical predictions and his supporting empirical results, while widely acknowledged today, were not obvious in advance. It is only in more recent years that a generic applied microeconomics approach to the apportionment of political power and the weight of swing states has become common.[5] Also, with respect to the New Deal in particular, an alternative scenario could have been for the newly dominant Democratic Party to implement policies favoring its loyal base of support. But this was not the case, and Wright's model can explain why. Furthermore, although spending differed greatly between regions (highest in the Mountain West and lowest in the South), Wright's findings are not just an econometric characterization of

[4]Using just two of Wright's variables (V/POP and SD) accounts for 78% of the variance in per capita New Deal spending (Fleck 2008).

[5]The empirical literature on the effects that the apportionment of legislative seats has on post-New Deal spending includes Bennett and Mayberry (1979), Atlas, Gilligan, Hendershott, and Zupan (1995), Lee (1998, 2000, 2004), Lee and Oppenheimer (1999), Meyer and Naka (1999), Kawaura (2003), Hoover and Pecorino (2005), and Hauk and Wacziarg (2007). Interestingly, this literature has, in essence, reinvented the wheel many times, and most of the early authors apparently missed (and did not cite) Wright's work. Empirical work using post-New Deal data to examine the potential favoritism of swing or loyal partisan states includes Levitt and Snyder (1995), Levitt and Poterba (1999), and Ansolabehere and Snyder (2006). In addition, see Cox and McCubbins (1986) and Dixit and Londregan (1996) for theoretical models that analyze the conditions under which swing voters or loyal supporters obtain larger allocations of funds.

those regional differences.[6]

More recent research empirical work on the New Deal has built on Wright's work in several ways. Many papers have reexamined the state-level data in an effort to identify the extent to which Wright's political variables and/or other variables can explain New Deal spending patterns.[7] Several other papers develop formal theoretical models related to Wright's, and use state-level or county-level New Deal data to test those models.[8] Another set of papers estimates the effects of New Deal policy, using the logic of Wright's theoretical model to identify potential instrumental variables and,

---

[6]Wright (1974, 34) examines the residuals and concludes that his variables "achieve a high degree of discrimination *within* as well as among regions." Also see Fleck (2008).

[7]Wallis (1984) considers whether the system of matching grants can explain the apparent positive relationship between federal spending and per capita income. He finds that high-income states tended to receive larger matching grants from the federal government because high-income states spent more state money on New Deal programs. Wallis (1987) estimates the effects of labor market conditions on New Deal spending. He concludes that "while politics are still important, responding to the needs of the unemployed was an important determinant of New Deal spending" (Wallis 1987, 516). Anderson and Tollison (1991) introduce a set of explanatory variables intended to reflect the influence of congressional institutions (the effects of seniority, committee power, and leadership positions) on spending patterns. They conclude that the allocation of funds across states depended in part on those institutions. Wallis (1998) claims that small state populations may lead to high per capita spending, and he therefore introduces a new explanatory variable, 1/population (denoted 1/POP). According to Wallis, adding 1/POP to the analysis provides an apolitical explanation of spending patterns and overturns many previous findings, including Wright's (1974) large estimated effects of political variables. Fleck (2001b) demonstrates that the vast majority of the cross-sectional variation in per capita spending can be accounted for econometrically with a few land and income variables, most importantly land area. Controlling for land area greatly reduces the ceteris paribus explanatory power of Wright's political variables and 1/POP. In addition, Fleck (2001b) explains that Wallis's "apolitical" 1/POP is the econometric equivalent of senators per capita (which equals 2/POP), a "political" variable in the distributive politics literature. Fleck (2008) explains why the logic of Wright's model is still central to the political economy of the New Deal, even though land and income variables explain so much of the variation in spending. Also see, e.g., Wallis (1991, 2001), Couch and Shughart (1998), Southworth (2002), Fishback, Kantor, and Wallis (2003), Mason (2003), Wallis, Fishback, and Kantor (2005), and Bateman and Taylor (2007).

[8]See, e.g., Fleck (1999a, 1999c, 2001a, 2008) and Strömberg (2004).

hence, sort out the directions causality between policy and economic conditions.[9]

Given the long-running ideological debates over the New Deal, it is unsurprising that Wright's findings caught the attention of scholars who sought to understand what motivated Roosevelt and other New Dealers.[10] For example, Anderson and Tollison (1991, 175) interpret Wright's findings (and their own extensions of his empirical analysis) as evidence that "The New Deal was not big government's Garden of Eden, but rather the more familiar stomping ground of *Homo economicus*." Even within the less pro/anti New Dealer literature, there has been a prominent effort to infer New Dealers' objectives from spending patterns. As Wallis (1998) puts it, "The fundamental question in the New Deal spending literature has been: Did Roosevelt and the New Dealers allocate money between states to achieve their stated goals of relief and reform by giving more money to states with lower employment and lower incomes, or did they promote their own interests and allocate more money to states that were politically sensitive?" More recently, Fishback, Kantor, and Wallis's (2003) econometric analysis of county-level data asks (in the paper's title): "Can the New Deal's Three Rs be Rehabilitated?" – where the three "Rs" are the New Deal's famously stated objectives of relief, recovery, and reform.

Although Wright's findings have generated great interest among scholars who seek to identify what New Dealers were trying to do, I see the New Deal spending literature's emphasis on

[9]See, e.g., Fleck (1999b), Fishback, Haines, and Kantor (2001), and Fishback, Horrace, and Kantor (2005).

[10]Since the 1930s, critics have accused the Roosevelt Administration of using distributive policy for the purpose of winning votes. For example, Roosevelt's adversaries argued that New Deal programs manipulated spending and relief employment to win votes in politically sensitive regions, and that the Works Progress Administration (WPA) temporarily provided relief jobs in order to influence close elections (e.g., see Howard 1943).

politicians' motives as somewhat of a red herring, shifting attention away from Wright's major contribution to the understanding of how institutions shape policy. To make my point, I will discuss three reasons to view politicians' motives as tangential to what Wright's paper actually shows. Each of these reasons is straightforward if one considers Wright's paper to be standard microeconomics applied to a *positive* political economy topic.

The first reason is the logic of Wright's theoretical model. The model does not identify the predicted marginal effect on spending that occurs in response to, say, a marginal change in some parameter characterizing a politician's utility function. Instead, it makes predictions about the effects of the apportionment of electoral votes (equivalently, congressional seats) and the electorate's responsiveness to policy. This is analogous to predicting the effects of *prices* (as they reflect opportunity costs), not preferences, on a consumer's decision. Note that an alternative, preference-uncovering theoretical foundation for Wright's empirical findings is far from obvious. Even if politicians acted purely on the basis of their own personal ideology, we would expect policy to be set in a manner similar to the way reelection-seeking politicians would set policy. Why? Because ideologically driven politicians whose ideologies matched the induced policy preferences of reelection-seeking politicians would be the ones selected into office and reelected.

The second reason is the nature of the empirical relationships between New Deal spending, proxies for "need" (e.g., the depth of the Depression), and proxies for political productivity. One could read quite a few econometric analyses of New Deal spending and come away with the impression that the received wisdom has long been (or at least for a long time was) that New Dealers bought votes and all but ignored their stated objectives. But what the data actually show is that New Deal spending allocations are positively and substantially correlated with plausible proxies for need.[11] Thus, even if one is willing to operate on the assumption that weak correlations between spending and proxies for relief, recovery, and reform would provide strong evidence that New Dealers were unconcerned with those stated objectives, that evidence would be missing.

The third reason pertains to what types of findings would have the most relevance to economic research. Someone interested in history for history's sake (certainly a reasonable interest) might be curious to know what New Dealers really wanted to do. But even if the New Deal spending literature did actually reveal New Dealers' preferences, it is not obvious how that would inform our understanding of policy issues today. By contrast, understanding the way that incentives – especially as they are shaped by institutions, such as the apportionment of electoral votes and congressional seats – affect policy remains highly relevant.[12]

The fundamental point I have just made – that Wright's model provides a framework for identifying the effects of constraints and incentives, not for inferring preferences – has not been lost in the broader political economy literature. Indeed, Wright's paper has been cited in a wide variety of contexts, including post-New Deal federal spending in the United States, USAID contracting, and distributive policy in Australia, Israel, Japan, Mexico, Peru, Spain, Sweden, and the United Kingdom.[13] The scholars working in this multinational literature are, of course, looking to Wright's

---

[11]See, e.g., Fleck (1999c, 2001a, 2001b, 2008) and Fishback, Kantor, and Wallis (2003).

[12]For a more general exposition of this point, see Stigler and Becker's (1977) famous critique of arguments that appeal to heterogeneous or changing preferences as explanations of observed behavior.

[13]Studies using post-1930s U.S. spending data include Levitt and Snyder (1995), Levitt and Poterba (1999), Fleck and Kilby (2001), Bateman and Taylor (2003a, 2003b), Lowry and Potoski (2004), Hoover and Pecorino (2005, 2007), Larcinese, Rizzo, and Testa (2005), Ansolabehere and Snyder (2006), and Carrell and Hauge (2007). Studies focusing on the allocation of funds in other countries include Rozevitch and Weiss's (1993) analysis of Israeli data, Worthington and Dollery's (1998) analysis of Australian data, Ward and John's (1999) and John, Ward, and Dowding's (2004) analyses of English data, Schady's (2000) analysis of Peruvian data, Johansson's (2003) analysis of Swedish data, and Castells and Solé-Ollé's (2005) analysis

work for generally applicable principles, not so that they can use Roosevelt's implied utility function to explain their data sets. Nor are these scholars concerned specifically with the way the United States Constitution apportions electoral votes and Senate seats.

Interpreting Wright (1974) in this general context is an essential prerequisite for understanding how his findings illuminate the major changes brought by the 1930s. To see the relevance of New Deal spending patterns to those major changes, the key point is this: As Wright's model predicts, the New Deal sent relatively large allocations of funds to swing states and small-population states, and that (combined with other policies) changed the Democratic Party's base of electoral support.[14] This is different from saying that New Dealers did much in the way of tweaking allocations in a state-by-state manner to target funds to electorally important states. In fact, such state-by-state tweaking did not drive the politically productive spending patterns – it was spending in line with plausible proxies for need that drove the politically productive spending patterns (Fleck 2008). Put simply, for New Dealers to allocate funds to the states Wright's model identifies as politically productive, there was no need to rely on state-by-state adjustments when distributing funds. Given the severity of the Depression and concurrent droughts, the electorate supported programs that spent money on relief, roads, conservation, and reclamation. Spending on such programs could easily be directed toward states that suffered more severe economic downturns and had more land. And these states happened to have been the most politically productive according

---

of Spanish data. Kawaura (2003) examines spending data from Japan and the United States. Diaz-Cayeros, Magaloni, and Estévez (2005) examine spending data from Mexico and the New Deal.

[14]On this point, note that in addition to examining the determinants of allocations among states, Wright (1974) demonstrates that the high-spending states – and perhaps more importantly, high relief-employment states – showed intertemporal increases in the Democratic vote share.

to Wright's measures – so much so that even a basic formula that allocated more per capita to states in which the Depression was very severe and more to states with vast amounts of land could have generated high spending levels in states that Wright's model predicts would have had a high expected electoral value of spending.[15]

In sum, when the New Dealers came to power in 1932, they (as Wright's model predicts) set policy that won votes in the politically productive states. The extent to which New Dealers did so in an effort to win votes, rather than to alleviate the effects of the Depression or to improve the nation's infrastructure and natural resources, is not a central issue for understanding how the Depression gave rise to the New Deal. Nor does it matter much for understanding how the New Deal, by delivering policy favored by swing states' electorates, changed the nature of partisan alignments and political competition. This latter insight is especially informative when combined with Wright's analysis of institutional changes in the South – the topic for Section III.

III. Institutional Change in the South: The Labor Market and the New Deal

In his explanation of the transition from the Old South to the New South, Wright's theoretical framework is not mathematical, but it is nonetheless precise. He sets out a series of clear explanations of what caused what, at each step relying on solid logic (often supply and demand) to explain the causal mechanism. As is obvious from Wright's citations of the previous literature, his analysis builds on the work of many other scholars who have sought to explain how the South (and

[15] More specifically, Fleck (2008) uses hypothetical spending formulas to show that allocating dollars in proportion to income and land variables could have generated state-level spending with a close correlation to Wright's political variables. Indeed, a simple formula can generate hypothetical spending data that are correlated with Wright's political variables to a degree even higher than Wright found using real spending data.

the rest of the United States) made its way from where it was in the pre-New Deal days to where it is now. Much had already been said about the nature of the southern economy, and much had been written about racial issues and their relationships to “class” and other types of divisions in society. The previous literature did not, however, provide a clear picture of how these pieces of the bigger political economy picture fit together. Wright assembled those pieces and filled in blank spaces in a fashion that explained both the stability of the pre-New Deal southern institutions and their eventual demise.[16]

To explain what caused southern institutions to change, Wright’s first step was to identify what caused the pre-New Deal stability. This is not to say that the Old South was completely unchanging prior to the New Deal; rather, it is to say that despite political and economic links to the rest of the country, the South maintained political institutions and economic conditions that made it distinct. In some sense the stability of the southern system may seem immediately obvious: A subset of the population, once in power and obtaining rents from being in power, has an incentive to choose economic policies that avoid upsetting the status quo. That simple observation does have some legitimacy in explaining the South. Yet it really only touches on the core issues of stability and change. If, for example, the entire United States economy had been well integrated at the national level (essentially, if one supply and demand diagram per good or service could explain market behavior throughout the entire country), then it would be difficult to understand why one region

[16]One major advance in Wright’s work is the way he dealt with the issue of class. When reviewing the “new southern economic history” literature, Wright (1982, 164) phrased his goal with respect to explaining “class” as follows: “What I want to show is that ‘class’ and ‘market’ should not be viewed as incompatible opposites. Instead, class power operated chiefly through its influence on the boundaries and terms of various markets. A satisfactory southern economic history should be both a class and a market interpretation.”

could lag so far behind in terms of wages. Or, if Tiebout (1956) competition had operated effectively and on a national scale, it would have led to an exodus of African Americans from locales with policies flagrantly unfavorable to African Americans.[17]

An essential piece of the puzzle is the relative isolation of the southern labor market. In Wright's (1987, 162) words, his "analysis of Southern economic history is built around the proposition that the region's distinctive culture and economic life were rooted in the regionalization of the labor market." Most obviously, southerners on average earned lower wages; even a quick glance at labor market data makes that clear. But perhaps the most important aspect of regional isolation is the nature of wage convergence (and non-convergence). Between the South and the rest of the country, decades went by without convergence. Examining northern-southern differences, Wright (1987, 163) concludes that the farm wage "shows no tendency toward convergence before World War II. Both the absolute and relative differentials were higher in the 1920s than at any time since the Civil War." This persistent regional gap does not merely reflect wage differentials related to race (the gap is apparent when examining wage differences between northern and southern whites). Furthermore, the gap held for industrial as well as agricultural wages.[18]

Another essential piece of the puzzle is the nature of the relevant output markets for southern producers (e.g., Wright 1987, 164-165). The importance of considering output markets follows from basic economic theory: Even in the absence of labor mobility, if firms throughout the United States

[17]The empirical research on Tiebout sorting most relevant to this paper is Rhode and Strumpf (2003); they employ an exceptionally rich and long panel data set (including all United States counties from 1850-1990).

[18]For more discussion of the wage gaps, see Wright (1986, 1987), Rosenbloom (1990, 1996), and Sundstrom (2007). Also see Foote, Whatley, and Wright (2003) on the existence of, and nature of, discrimination along nonwage margins.

had mobile capital and sold their output in the same markets, that would tend to equalize the returns to inputs. In fact, however, much of the South's output (e.g., cotton) was sold in international markets where the competing producers were foreign, not from elsewhere in the United States. Given the South's regionally isolated labor market *and* sufficiently different output market, the mechanisms that would otherwise have caused North-South factor price convergence were absent.

To put the persistence of the regional wage gap in perspective, examining what happened with respect to convergence *within* regions is particularly informative. Markets did tend to be integrated within regions. Essentially, convergence occurred when gaps existed in the east-west direction (both within the South and within the North), but not when gaps existed in the north-south direction (Wright 1987, 162-164). This point is critical for understanding the South because it shows that the nature of the regional isolation was very different from southern markets just "not working" in some sense. Thus, it is reasonable to view the long run regional wage gap as a comparison between *different* markets.

Naturally, this points to the question of why there would be a persistent North-South gap despite convergence in the case of east-west gaps. This makes sense in terms of basic economic theory if and only if one considers the role of history. As Wright (1986) emphasizes, the legacy of slavery and southern industry made the South unique in terms of what can be viewed usefully as the initial conditions that led to a stable equilibrium that lasted until the New Deal. For example, from the perspective of a slaveholder, a slave was a highly mobile asset (especially in contrast to the major agricultural asset elsewhere – land); this reduced incentives to engage in technological development and location-specific investment.[19] Thus, the South started the post-Civil War era as the relatively

[19] See Wright (1986), especially Chapter 2, and Wright (1978).

less educated region of the country, with plentiful labor and natural resources, but not much physical or human capital. Very importantly, the South *remained* relatively less educated, lacking engineers and centers for technological innovation – things it would have needed in order to develop rapidly using its local resources, given the obstacles to adopting technological advances developed elsewhere. In addition, the flow of migrants into the South was small, and providing a southerner with a better education generally led to a greater likelihood of that southerner emigrating; both of these factors put downward pressure on the South's stock of human capital, and the second factor reduced the incentives for southern leaders to fund education (Wright 1986, 78-80).

A major contribution of Wright's analysis is his explanation of what factors underpinning the isolated southern labor market were endogenous and why. For example, migration out of the South depended largely on information and personal connections. Consequently, where emigrants would go depended largely on where previous emigrants had gone. Thus, a historically low rate of emigration would lead to continued low rates of emigration, and east-west migration in the past would help maintain east-west integration of labor markets within regions, while also helping to maintain the North-South isolation of labor markets. Similarly, the lack of technological advance was endogenous – low education levels were a function of the southern political economy as well as a contributing factor to sustaining the southern political economy.

What this all meant for the South's unique institutions was a long period with little pressure to change – hence, the exceptional stability. The southern system perpetuated low wages, factor prices that were little affected by competition elsewhere in the country, political decisions that gave small weight to the desires of the poor, and few technological advances. When viewed by today's generally accepted standards, this was not a good system. Yet because those who dominated the southern political system obtained substantial rents from investments complementary to low-wage labor, they had little reason to pursue change.

Eventually the system did change. As Wright (1987, 162) explains, "The modern period of equilibration only began in earnest when the institutional foundations of that regional labor market were undermined, largely by federal farm and labor legislation dating from the 1930s." The Agricultural Adjustment Act (passed in 1933) created incentives to reduce agricultural output and, hence, agricultural employment. The way government payments were disbursed under the act also created incentives for landlords to change the way they contracted for labor, thus driving sharecroppers and tenant farmers off the land (Wright 1986, 226-238).[20] In addition, the minimum wage provisions included first in the National Industrial Recovery Act (passed in 1933) and later in the Fair Labor Standards Act (passed in 1938) were binding for many southern workers. Thus, when southern workers left farms, many could not find new employment in the South. The combined effect of these policies was to spur migration out of the South, largely undo the low-wage labor market in key industries (such as timber and textiles), and speed the mechanization process in agriculture, most importantly cotton.[21]

Of course, the changes did not stop when the New Deal ended. This is partly because of new shocks, most notably World War II. But it is also because the processes (emigration and mechanization) accelerated by the New Deal kept going through the postwar years. Indeed, Wright

[20]Also see Whatley (1983) on how policies set under the Agricultural Adjustment Act created incentives for planters to replace sharecroppers with wage labor and machinery.

[21]On the institutional factors delaying mechanization in southern cotton production, see Wright (1986), especially Chapter 7, and Whatley (1985, 1987). Also see, e.g., Alston and Ferrie (1999) on the political economy of agricultural labor relations in the South, and Grove and Heinicke (2005) on the causes of cotton workers leaving the fields in the post-World War II era.

argues that the extent to which New Deal policies would change the South was not apparent during the New Deal years. In Wright's (1986, 236) words:

> At the end of the decade [the 1930s], many observers thought that little had changed. An authoritative 1940 survey on *The Plantation South Today* stated: "Cotton is still king in the South, and the plantation remains an important form of organization in the Cotton Belt. . . . it is chiefly the outward aspects that have changed"; a 1942 prize-winning essay held that "the plantation is as deeply rooted today as at any time in the history of the South." These views were reasonable at the time. Yet with the aid of hindsight, we can see that they were wrong. The "outward aspects" of southern economic life had changed much less than the "inward aspects." The economic underpinnings and social glue that had kept the regional economy isolated were no long present in 1940.[22]

In short, the full effects of the shocks that brought major changes to the South were not obvious until long after those shocks occurred, demonstrating the importance of taking a longer, historical view when seeking to identify such shocks.

The end result was a fundamental change in the southern economy. With employers no longer operating in a low-wage labor market isolated from the rest of the nation, the incentives for those who dominated the southern political system were now different. After decades of resisting economic integration, southern leaders actively sought industrialization and inflows of northern capital (e.g.,Wright 1986, 257-264).

IV. Swing States and Southern Progress

The end of the isolated southern labor market is a key factor in explaining how the South eventually got on a path to higher wage rates and expanded civil rights, but to appreciate the full importance of Wright's analysis, it is essential to consider two additional questions. First, why did

---

[22] Wright is quoting from the following: T. J. Woofter and A. E. Fisher, *The Plantation South Today* (WPA Social Problems Series no. 5 [1940]), p. 3; Donald Chrichton Alexander, *The Arkansas Plantation 1920-1942* (New Haven: Yale University Press, 1943).

New Dealers enact the wage regulations that they did? Second, why did ending the isolation of the southern labor market lead, in the long run, to such sweeping changes. Answering these questions brings us back to Wright's theoretical model of distributive politics.

Although Wright (1974) focuses on the allocation of federal funds, his model shows more generally why the New Deal, to be effective for keeping the Democratic Party in power at the national level, had to deliver policies that won votes in electorally important states. In other words, the same logic that underlies Wright's predictions with respect to spending patterns can be generalized to other types of policy.[23] And this includes labor market regulations. Most importantly, imposing a nationwide minimum wage was an effective policy for winning swing-state support: When Congress passed the Fair Labor Standards Act, southern Democrats were divided, but swing-state Democrats overwhelmingly favored the act, and some northern proponents of the act specifically sought to impose a wage floor in the South.[24] In sum, the basic mechanism in Wright's model of distributive politics also helps us understand why New Dealers set the regulatory policies that helped undo the southern labor market's isolation.

With the end of the isolated low-wage southern labor market, the South had to change, but why did it change the way it did? For example, the integration of the labor market did not by itself create incentives sufficient to induce southern politicians (or employers) to push for enfranchising the poor and ending racial segregation. Indeed, the medium-run effects (i.e., 1930-1960) of the Depression and New Deal labor regulations strengthened the incentives for southern whites to

[23]See Fleck (1999a, 2008) for formal models.

[24]On the political divisions over the Fair Labor Standards Act, and more generally over a national minimum wage, see Wright (1986, 219-225), as well as Patterson (1967), Poole and Rosenthal (1991), Seltzer (1995), and Fleck (2002).

support continued segregation. As Wright (1986, 265) explains, "the conditions of surplus labor and job scarcity reinforced the interests of white workers in racial separation." Note, for example, that a binding price floor will generally reduce the cost that buyers incur for engaging in an arbitrary form of discrimination between types of sellers. Thus, in the presence of a binding minimum wage, such as those imposed by the National Recovery Administration (NRA) and the Fair Labor Standards Act, one would be expect the unemployment burden to fall disproportionately on discriminated-against groups, which obviously included African Americans. The effect was substantial. Indeed, "Black newspapers derided the NRA as the 'Negro Removal Act'" (Wright 1986, 224). Thus, the key question is how the New Deal and the end of the old southern economic conditions led *indirectly* (and in the long run) to the demise of the old southern politics.

Applying the logic of Wright's model to the post-New Deal era provides critical insight into why the 1930s spurred *long run* changes in the treatment of African Americans. When disenfranchised African Americans left the South in large numbers, many moved to swing states where they could vote.[25] This increased the weight of African Americans' preferences in federal policy decisions, and federal policy was critical to the demise of disenfranchisement and segregation (Wright 1986, 265).[26] Once again, the value of Wright's model comes from his generally applicable (as opposed to New Deal-specific) theoretical approach, interpreted in the historical context of

---

[25]Fleck (2008, 26) finds a positive correlation between Wright's electoral variability measure (SD) and growth (from 1930 to 1940) in the share of a state's population that was African American.

[26]This potentially swing role of African American voters was explicitly considered by African American leaders and by politicians. For example, Walter White, secretary of the NAACP, made the following argument to Roosevelt: "The Secretary [Walter White] then called the President's attention to the tables...in which 17 states, with a total electoral vote of 281, have a Negro voting population, 21 years of age and over, sufficient to determine the outcome in a close election." My source here is Freidel (1965, 90), quoting White's memoirs. Also see Sitkoff (1978) and Sundquist (1973).

southern and non-southern politics.

V. Broader Implications

My purpose in this section is to illustrate how Wright's analysis of the United States in the 1930s can inform the broader literature on political economy, institutional change, and economic development. Before proceeding with this discussion, a caveat is in order. As Wright (1979, 90) cautioned, "We need to be reminded that the past contains multiple realities; a simplifying abstraction which successfully captures the essence of some historical situation for some purpose should not be confused with the history itself." What I seek to do here is indicate the broad usefulness of Wright's abstract ideas, not to present detailed history.

Perhaps the most obvious question is whether Wright's (1974) model has relevance to modern politics. As discussed in Section II, the scholarly literature on distributive politics continues to build on the logic of Wright's model, and empirical tests similar to Wright's have been conducted using modern data from around the world. Beyond the academic literature, the roles of swing voters, swing states, and the apportionment of electoral college votes in deciding election outcomes – and how these factors influence the allocation of resources – have received great attention from the popular press in recent years.[27] This is no surprise in view of the two most recent presidential elections, both of which demonstrated the importance of close contests in swing states. In addition, the role of African Americans as a pivotal group has (again) become big news. A notable feature of the 2004 race was the Bush campaign's efforts to win support among African Americans, especially those to whom socially conservative positions (e.g., opposition to gay marriage) appealed

[27]See, e.g., Beam (2008) on the popular press's "quest for this year's sexy swing demographic."

and those in the swing states, most famously Ohio (e.g., *Economist* 2005). In the current presidential race, electoral support among African Americans was a central issue in Democratic primaries.[28]

Turning to the question of what circumstances lead to a previously disenfranchised group acquiring voting rights, the recent political economy literature suggests several potential mechanisms. For example, Acemoglu and Robinson (2000, 2001) explain why elites, when facing a potential threat of revolt, may expand the franchise as a way to commit credibly to future wealth redistribution. Lizzeri and Persico (2004) consider how a future expansion of the franchise can benefit groups within the currently enfranchised, even when the established political order faces no threat of revolt. When applying their model, they focus on the "Age of Reform" in Britain. Llavador and Oxoby (2005) also model an elite that is divided by economic interests (more specifically, a society composed of stylized landlords, capitalists, and workers). They examine incentives for the elite to expand the franchise, and consider how an expanded franchise will affect the character of industrialization and, hence, economic growth. They discuss how their model applies to franchise expansions in eleven countries (mostly in the nineteenth century). Fleck and Hanssen (2006), who focus on democracy in ancient Greek city states, consider the role of expanded democracy as a commitment device, analyzing the conditions when the ruling group can gain by committing to refrain from confiscating wealth, because such a commitment will – along the lines of North and Weingast's (1989) argument – promote investment.[29]

---

[28] Although the way states fall into swing and loyal categories today differs dramatically from the way they did so in the 1930s (e.g., Miller and Schofield 2003), that poses no difficulty for applying Wright's logic, because his model considers swing and loyal states generally, not specific regions.

[29] For additional theoretical work, see Jack and Lagunoff's (2006) model of dynamic enfranchisement. Also see Engerman and Sokoloff (2005), who study the way suffrage rules changed over time in the United States, and compare suffrage expansion in polities throughout North and South America.

Each of these mechanisms has some relevance to the South. For example, the nature of the southern landscape made it possible for southern "laborlords" (under slavery) and landlords to obtain substantial rents from plantation-style agriculture. Under such circumstances, Fleck and Hanssen's (2006) model predicts narrow democracy (e.g., the landlords vote) rather than universal voting rights.[30] And the Civil Rights Movement may have had an effect similar to signaling an increasing threat of revolt in Acemoglu and Robinson (2000, 2001). But especially for explaining the *expansion* of the franchise in the South, the most relevant theoretical approach is the combination of a divided-elite model (either Lizzeri and Persico's or Llavador and Oxoby's) with the key insights from Wright's (1974) model.

To see why, recall that electoral pressure to end southern disenfranchisement came largely from a group of voters who (by adding more African Americans to the southern electorate) stood to get policy changes they desired, including expanded civil rights. This is in line with a key component of the divided-elite model: Among those already enfranchised (whom one can consider part of the stylized "elite" here), some, including African American voters in the North, had substantial interests in line with the disenfranchised citizens of the South. But another critical factor is that those voters had gained influence because – in line with Wright's model – they had become a large group of swing voters in swing states.

This insight from Wright's model points to an interesting and important variation on the previous divided-elite models. Note, for example, that in the Lizzeri and Persico model, franchise

---

The find that "Polities with labor scarcity and greater equality generally led in broadening the franchise and attaining higher rates of participation in elections" (p. 891).

[30] In the context of Fleck and Hanssen's (2006) analysis of Greece, the Old South was more like Sparta than like Athens.

expansion is favored not by swing voters, but by non-swing voters (because non-swing voters receive relatively few benefits from the incumbent politicians, who court swing voters). Here, the key feature to take from Wright's model is the effect of having winner-take-all elections at the state level; when applied to the post-World War II United States, this explains the incentives for the federal government (more accurately, politicians seeking support for their party in national elections) to act on the preferences of the swing-state voters who sought expanded civil rights in the South. Also note that the Llavador and Oxoby model implies expansion of the franchise when the stylized landlords are not politically strong. This can explain the expansion of voting rights in the South if (and only if) one also has an explanation for why landlords lost their political strength. Once again, the key insight is from Wright's model applied in a historical context: The incentives faced by New Dealers led to policy that, in the long run, eroded the political power of southern landowners.

Finally, consider some additional lessons that Wright's analysis teaches us about mechanisms for overcoming obstacles to economic development. Wright (1986, 1987) pointed out, for good reason, that the South was not a case study in economic development. But in the years since he made that point, there have been changes in what economists look for as a case study in development. The emphasis is no longer so focused on what policies are good or bad, or on which institutions are good or bad, but on what leads to good institutions, and what conditions (e.g., institutional environment, presence or absence of commitment problems) will enable a given set of policies to work well. In this context, the South provides a fascinating case study – even more so because the South and North took different economic paths while operating under many of the same formal institutions.

For example, what does Wright's analysis tell us about the effects of freer trade on economic growth and convergence? Even though the Constitution has provisions that guarantee relatively free flows of goods (and labor) between states, for decades the South did not show convergence either in terms of income levels or institutional quality. (To be clear, this is not to suggest that mutual gains from trade were absent – they could have been large without causing convergence.) As Wright explains, however, the cause of the eventual convergence was closely linked to the free flow of goods and labor between states. This is important for two reasons. First, it illustrates nicely why the effects of freer trade will depend critically on the institutional environment, which of course depends on history. Second, it underscores the importance of considering that phenomena appearing at first glance to be basic supply and demand issues (e.g., generic gains from free trade) may have much larger long run effects if they promote (or hinder) institutional change.

This parallels the thinking among those development economists who see improved institutions as the most important potential benefit of free trade agreements. For example, Rodrik (2000) advises that "the first question that policy makers contemplating trade reform should ask is not whether the reform will result in higher volumes of trade, render their trade regime more liberal, or increase market access abroad, but whether the reform will improve the quality of institutions at home."[31] Wright's explanation of the way the South progressed provides evidence consistent with that advice. It also highlights the importance of looking within countries (and regions) to see how history and current institutions shape the potential routes for improving institutions in the future.

VI. Conclusion

The genius of Wright's work is its combination of historical detail and theoretical rigor – and

[31] Also see, for example, Rodrik, Subramanian, and Trebbi (2004) for a "primacy of institutions" perspective on economic development.

by rigor, I mean careful logic, not necessarily mathematics. When setting out to explain New Deal distributive policy, Wright developed a formal model that is now a cornerstone of empirical research in positive political economy. When setting out to explain how and why the South's economy and political institutions eventually moved forward, he grounded his argument in centuries of history – without that history, it would be unclear why the South resisted change for so long. Southern institutions eventually changed when southerners' incentives changed, and those incentives changed largely because New Dealers set policy in line with what Wright's distributive politics model predicts. In sum, by explaining the political economy of the 1930s and the changes brought by that decade, Wright has filled in a critical chapter in the story of how the United States – the *whole* United States – became the wealthy democracy it is.

References

Acemoglu, Daron, and James A. Robinson. 2000. "Why Did the West Extend the Franchise? Democracy, Inequality and Growth in Historical Perspective," *Quarterly Journal of Economics* 115:1167-1199.

Acemoglu, Daron, and James A. Robinson. 2001. "A Theory of Political Transitions," *American Economic Review* 91:938-963.

Alston, Lee J., and Joseph P. Ferrie. 1999. *Southern Paternalism and the American Welfare State: Economics, Politics, and Institutions in the South, 1865-1965*. New York: Cambridge University Press.

Anderson, Gary M., and Robert D. Tollison. 1991. "Congressional Influence and Patterns of New Deal Spending." *Journal of Law and Economics* 34:161-175.

Ansolabehere, Stephen, and James M. Snyder, Jr. 2006. "Party Control of State Government and the Distribution of Public Expenditures." *Scandinavian Journal of Economics* 108:547-569.

Arrington, Leonard J. 1969. "The New Deal in the West: A Preliminary Statistical Inquiry." *Pacific Historical Review* 38:311-316.

Atlas, Cary M., Thomas W. Gilligan, Robert J. Hendershott, and Mark A. Zupan. 1995. "Slicing the Federal Government Net Spending Pie: Who Wins, Who Loses, and Why." *American Economic Review* 85:624-629.

Bateman, Fred, and Jason E. Taylor. 2003a. "The New Deal at War: Alphabet Agencies' Expenditure Patterns, 1940-1945." *Explorations in Economic History* 40:251-277.

Bateman, Fred, and Jason E. Taylor. 2003b. "Was 'V' for Victory or Votes? A Public Choice Analysis of World War II Federal Spending." *Public Choice* 114:161-174.

Bateman, Fred, and Jason Taylor. 2007. "Does the Distribution of New Deal Spending Reflect an Optimal Provision of Public Goods?" *Economics Bulletin* 8:1-10.

Beam, Christopher. 2008. "One-Armed Vegetarian Live-In Boyfriends: The Quest for this Year's Sexy Swing Demographic." Available: www.slate.com/id/2195386, published July 16, 2008 (accessed July 26, 2008).

Bennett, James T., and Eddie R. Mayberry. 1979. "Federal Tax Burdens and Grant Benefits to States: The Impact of Imperfect Representation." *Public Choice* 34:255-269.

Carrell, Scott E., and Janice A. Hauge. 2007. "Politics and the Implementation of Public Policy:

The Case of the Military Housing Allowance Program." Working paper, University of California, Davis.

Castells, Antoni, and Albert Solé-Ollé. 2005. "The Regional Allocation of Infrastructure Investment: The Role of Equity, Efficiency, and Political Factors." *European Economic Review* 49:1165-1205.

Couch, Jim F. and William F. Shughart, II. 1998. *The Political Economy of the New Deal.* Cheltenham, UK: Edward Elgar.

Cox, Gary W., and Mathew D. McCubbins. 1986. "Electoral Politics as a Redistributive Game." *Journal of Politics* 48:370-389.

Diaz-Cayeros, Alberto, Beatriz Magaloni, and Federico Estévez. 2005. "Electoral Risk and Redistributive Politics in Mexico and the United States." Working paper, Stanford University.

Dixit, Avinash, and John Londregan. 1996. "The Determinants of Success of Special Interests in Redistributive Politics." *Journal of Politics* 58:1132-1155.

Economist. 2005. "Rebuilding the Party of Lincoln." April 23, p. 36.

Engerman, Stanley L., and Kenneth L. Sokoloff. 2005. "The Evolution of Suffrage Institutions in the New World." *Journal of Economic History* 65:891-921.

Fishback, Price V., Michael R. Haines, and Shawn Kantor. 2001. "The Impact of the New Deal on Black and White Infant Mortality in the South." *Explorations in Economic History* 38:93-122.

Fishback, Price V., Shawn Kantor, and John Joseph Wallis. 2003. "Can the New Deal's Three Rs be Rehabilitated? A Program-by-Program, County-by-County Analysis." *Explorations in Economic History* 40:278-307.

Fishback, Price V., William C. Horrace, and Shawn Kantor. 2005. "Did New Deal Grant Programs Stimulate Local Economies? A Study of Federal Grants and Retail Sales During the Great Depression." *Journal of Economic History* 65:36-71.

Fleck, Robert K. 1999a. "Electoral Incentives, Public Policy, and the New Deal Realignment." *Southern Economic Journal* 65:377-404.

Fleck, Robert K. 1999b. "The Marginal Effect of New Deal Relief Work on County-Level Unemployment Statistics." *Journal of Economic History* 59:659-687.

Fleck, Robert K. 1999c. "The Value of the Vote: A Model and Test of the Effects of Turnout on Distributive Policy." *Economic Inquiry* 37:609-623.

Fleck, Robert K. 2001a. "Inter-Party Competition, Intra-Party Competition, and Distributive Policy: A Model and Test Using New Deal Data." *Public Choice* 108:77-100.

Fleck, Robert K. 2001b. "Population, Land, Economic Conditions, and the Allocation of New Deal Spending." *Explorations in Economic History* 38:296-304.

Fleck, Robert K. 2002. "Democratic Opposition to the Fair Labor Standards Act of 1938." *Journal of Economic History* 62:25-54.

Fleck, Robert K. 2008. "Voter Influence and Big Policy Change: The Positive Political Economy of the New Deal." *Journal of Political Economy* 116:1-37.

Fleck, Robert K., and F. Andrew Hanssen. 2006. "The Origins of Democracy: A Model with Application to Ancient Greece," *Journal of Law and Economics* 49:115-146.

Fleck, Robert K., and Christopher Kilby. 2001. "Foreign Aid and Domestic Politics: Voting in Congress and the Allocation of USAID Contracts Across Congressional Districts." *Southern Economic Journal* 67:598-617.

Foote, Christopher L., Warren C. Whatley, and Gavin Wright. 2003. "Arbitraging a Discriminatory Labor Market: Black Workers at the Ford Motor Company, 1918-1947. *Journal of Labor Economics* 21:493-532.

Freidel, Frank. 1965. *F.D.R. and the South*. Baton Rouge: Louisiana State University Press.

Grove, Wayne A., and Craig Heinicke. 2005. "Better Opportunities or Worse? The Demise of Cotton Harvest Labor 1949-1964." *Journal of Economic History* 63:736-767.

Hauk, William R., Jr., and Romain Wacziarg. 2007. "Small States, Big Pork." *Quarterly Journal of Political Science* 2:95-106.

Hoover, Gary A., and Paul Pecorino. 2005. "The Political Determinants of Federal Expenditure at the State Level." *Public Choice* 123:95-113.

Hoover, Gary A., and Paul Pecorino. 2007. "Federal Spending and the Revolution of '94." Economics, Finance and Legal Studies Working Paper No. 07-09-09, University of Alabama.

Jack, William, and Roger Lagunoff. 2006. "Dynamic Enfranchisement." *Journal of Public Economics* 90:551-572.

Johansson, Eva. 2003. "Intergovernmental Grants as a Tactical Instrument: Empirical Evidence from Swedish Municipalities." *Journal of Public Economics* 87:883-915.

John, Peter, Hugh Ward, and Keith Dowding. 2004. "The Bidding Game: Competitive Funding Regimes and the Political Targeting of Urban Programme Schemes." *British Journal of Political Science* 34:405-428.

Kawaura, Akihiko. 2003. "Public Resource Allocation and Electoral Systems in the U.S. and Japan." *Public Choice* 115:63-81.

Key, V.O., Jr. 1949. *Southern Politics*. New York: Alfred A. Knopf.

Larcinese, Valentino, Leonzio Rizzo, and Cecilia Testa. 2005. "Allocating the US Federal Budget to the States: The Impact of the President." Working paper, London School of Economics and Political Science.

Lee, Frances E. 1998. "Representation and Public Policy: The Consequences of Senate Apportionment for the Geographic Distribution of Federal Funds." *Journal of Politics* 60:34-62.

Lee, Frances E. 2000. "Senate Representation and Coalition Building in Distributive Politics." *American Political Science Review* 94:59-72.

Lee, Frances E. 2004. "Bicameralism and Geographic Politics: Allocating Funds in the House and Senate." *Legislative Studies Quarterly* 29:185-213.

Lee, Frances E., and Bruce I. Oppenheimer. 1999. *Sizing Up the Senate: The Unequal Consequences of Equal Representation*. Chicago: The University of Chicago Press.

Levitt, Steven D., and James M. Poterba. 1999. "Congressional Distributive Politics and State Economic Performance." *Public Choice* 99:185-216.

Levitt, Steven D., and James M. Snyder, Jr. 1995. "Political Parties and the Distribution of Federal Outlays." *American Journal of Political Science* 39:958-980.

Llavador, Humberto, and Robert J. Oxoby. 2005. "Partisan Competition, Growth, and the Franchise." *Quarterly Journal of Economics* 120:1155–92.

Lowry, Robert C., and Matthew Potoski. 2004. "Organized Interests and the Politics of Federal Discretionary Grants." *Journal of Politics* 66:513-533.

Mason, Joseph R. 2003. "The Political Economy of Reconstruction Finance Corporation Assistance During the Great Depression." *Explorations in Economic History* 40:101-121.

McKelvey, Richard. 1979. "General Conditions for Global Intransitivities in Formal Voting Models." *Econometrica* 47:1085-1112.

Miller, Gary, and Norman Schofield. 2003. "Activists and Partisan Realignment in the United States." *American Political Science Review* 97:245-260.

Mukand, Sharun, and Dani Rodrik. 2005. "In Search of the Holy Grail: Policy Convergence, Experimentation, and Economic Performance," *American Economic Review* 95:374-383.

Meyer, Steven A., and Shigeto Naka. 1999. "The Determinants of Japanese Local-Benefit Seeking." *Contemporary Economic Policy* 17:87-96.

North, Douglass C. and Barry R. Weingast. 1989. "Constitutions and Commitment: The Evolution of Institutions Governing Public Choice in Seventeenth Century England." *Journal of Economic History* 49:803-832.

Patterson, James T. 1967. *Congressional Conservatism and the New Deal*. Lexington: University of Kentucky Press.

Poole, Keith T., and Howard Rosenthal. 1991. "The Spatial Mapping of Minimum Wage Legislation." In *Politics and Economics in the 1980s*, edited by Alberto Alesina and Geoffrey Carliner, 215-246. Chicago: University of Chicago Press.

Reading, Don C. 1973. "New Deal Activity and the States, 1933 to 1939," *Journal of Economic History* 36:792-810.

Rhode, Paul W., and Koleman S. Strumpf. 2003. "Assessing the Importance of Tiebout Sorting: Local Heterogeneity from 1850 to 1990. *American Economic Review* 93:1648-1677.

Rodrik, Dani. 2000. "Trade Policy Reform as Institutional Reform." Working paper, Harvard University.

Rodrik, Dani, Arvind Subramanian, and Francesco Trebbi. 2004. "Institutions Rule: The Primacy of Institutions over Geography and Integration in Economic Development," *Journal of Economic Growth* 9:131-165.

Rosenbloom, Joshua L. 1990. "One Market or Many? Labor Market Integration in the Late Nineteenth-Century United States." *Journal of Economic History* 50:85-107.

Rosenbloom, Joshua L. 1996. "Was There a National Labor Market at the end of the Nineteenth Century? New Evidence on Earnings in Manufacturing." *Journal of Economic History* 56:626-656.

Rozevitch, Shimon, and Avi Weiss. 1993. "Beneficiaries from Federal Transfers to Municipalities: The Case of Israel." *Public Choice* 76:335-346.

Schady, Norbert R. 2000. "The Political Economy of Expenditures by the Peruvian Social Fund

(FONCODES), 1991-95." *American Political Science Review* 94:289-304.

Seltzer, Andrew J. 1995. "The Political Economy of the Fair Labor Standards Act of 1938." *Journal of Political Economy* 103:1302-1342.

Sitkoff, Harvard. 1978. *A New Deal for Blacks*. New York: Oxford University Press.

Smith, Adam. 1776. *The Wealth of Nations*. Edited by Edwin Cannan, 1976. Chicago: The University of Chicago Press.

Southworth, Caleb. 2002. "Aid to Sharecroppers: How Agrarian Class Structure and Tenant-Farmer Politics Influenced Federal Relief in the South, 1933-1935." *Social Science History* 26:33-70.

Stigler, George J., and Gary S. Becker. 1977. "De Gustibus Non Est Disputandum." *American Economic Review* 67:76-90.

Strömberg, David. 2004. "Radio's Impact on Public Spending." *Quarterly Journal of Economics* 119:189-221.

Sundquist, James L. 1973. *Dynamics of the Party System*. Washington: The Brookings Institution.

Sundstrom, William A. 2007. "The Geography of Wage Discrimination in the Pre-Civil Rights South." *Journal of Economic History* 67:410-444.

Tiebout, Charles. 1956. "A Pure Theory of Local Expenditures," *Journal of Political Economy* 64:416-24.

Wallis, John J. 1984. "The Birth of the Old Federalism: Financing the New Deal." *Journal of Economic History* 44:139-169.

Wallis, John J. 1987. "Employment, Politics, and Economic Recovery in the Great Depression." *Review of Economics and Statistics* 69:516-520.

Wallis, John J. 1991. "The Political Economy of New Deal Fiscal Federalism." *Economic Inquiry* 29:510-24.

Wallis, John J. 1998. "The Political Economy of New Deal Spending Revisited, Again: With and without Nevada." *Explorations in Economic History* 35:140-170.

Wallis, John. 2001. "The Political Economy of New Deal Spending, Yet Again: A Reply to Fleck." *Explorations in Economic History* 38:305-314.

Wallis, John Joseph, Price Fishback, and Shawn Kantor. 2005. "Politics, Relief, and Reform: The Transformation of America's Social Welfare System During the New Deal." NBER Working Paper No. 11080.

Ward, Hugh, and Peter John. 1999. "Targeting Benefits for Electoral Gain: Constituency Marginality and the Distribution of Grants to English Local Authorities." *Political Studies* 47:32-52.

Whatley, Warren C. 1983. "Labor for the Picking: The New Deal in the South." *Journal of Economic History* 43:905-929.

Whatley, Warren C. 1985. "A History of Mechanization in the Cotton South: The Institutional Hypothesis." *Quarterly Journal of Economics* 100:1191-1215.

Whatley, Warren C. 1987. "Agrarian Labor Contracts as Impediments to Cotton Mechanization." *Journal of Economic History* 47:45-70.

Worthington, Andrew C., and Brian E. Dollery. 1998. "The Political Determination of Intergovernmental Grants in Australia." *Public Choice* 94:299-315.

Wright, Gavin. 1974. "The Political Economy of New Deal Spending: An Econometric Analysis." *Review of Economics and Statistics* 59:30-38.

Wright, Gavin. 1978. *The Political Economy of the Cotton South: Households, Markets, and Wealth in the Nineteenth Century*. New York: W.W. Norton & Company, Inc.

Wright, Gavin. 1979. "Freedom and the Southern Economy." *Explorations in Economic History* 16:90-108.

Wright, Gavin. 1982. "The Strange Career of the New Southern Economic History." *Reviews in American History* 10:164-180.

Wright, Gavin. 1986. *Old South, New South*. New York: Basic Books, Inc.

Wright, Gavin. 1987. "The Economic Revolution in the American South." *Journal of Economic Perspectives* 1:161-178.

Wright, Gavin. 1999. "The Civil Rights Revolution as Economic History." *Journal of Economic History* 59:267-289.