

Acceptance speech

20 June 2023

Timothy Besley, awardee in the Economics, Finance and Management category (15th edition)

It is an honour to accept the BBVA Foundation award with Torsten Persson and Guido Tabellini for our research on political economy. I greatly admire Torsten's and Guido's research and am delighted to have been able to work alongside them in developing the field.

I am also grateful to several others who I have been fortunate to collaborate with during my career.

My first work in political economy was with Anne Case. We proposed and tested a model of interdependent political decision making (yardstick competition) to explain variation in tax setting across U.S. states. We also exploited a natural experiment arising from some state governors facing term limits. These projects combined theory and data to show that predictions from a simple agency model of politics could account for the empirical patterns.

Early on, I also worked with Steve Coate. We worked on a model of political competition where the political elite is selected in elections, now known as the "citizen-candidate" model following simultaneous work by Martin Osborne and Al Slivinski. This approach helps to clarify sources of political failure in a variety of policy environments. It is part of a wider interest in political selection, studying who stands for election and who gets chosen. This has created a vibrant empirical literature including innovative work by Torsten and his collaborators.

In other work, Robin Burgess and I have considered how the media affects government responsiveness. Consistent with Amartya Sen's remark that there has never been a famine in a country with free media, we found that public food distribution in India was indeed more responsive to shortages in states with greater media presence. There is now an active research program in political economy on the influence of media on how people vote and governments behave.

I first properly met Torsten and Guido at a series of exciting conferences exploring new ideas in the emerging field of modern political economy. My collaboration with Torsten was boosted after he began spending time at LSE each year. We were inspired by renewed interest in how institutions affect different development paths and fashioned a dynamic model to consider how a government's incentives to build state capacity were shaped by political institutions which also allowed us to integrate models of political violence into our understanding of state fragility. Throughout, we tried to keep the theory embedded in empirical regularities.

Our research program flourished with the support of the Institutions, Organizations and Growth program, funded by the Canadian Institute for Advanced Research (CIFAR), which has also fostered the research of four previous BBVA Foundation award winners before us. It created a sounding board for our ideas, including the addition of a further "moving part" to dynamic political economy models allowing values to coevolve with policy and institutions, a direction that Guido has also pursued. This approach borrows insights from the study of cultural evolution, which Torsten and I have used to understand the survival of democracies and evolving behaviour and policy formation to support environmental change.

My career started in development and public economics, where the dominant paradigm considered policy making from the perspective of a benevolent social planner. Political economy has transformed this thinking, allowing us to understand how to make better policy. The theoretical tools and empirical findings now provide a powerful framework to study how institutional reform supports policy changes and their impacts on the economy and society.

I am grateful to a host of people, especially my co-authors, many of whom are also my close friends. LSE has supported me throughout. My family ensures that I stay grounded and I have been fortunate to have a loving and supportive wife, Gillian, and two sons who understand the joy of creativity.

I am optimistic that, by acknowledging the field of political economy, the BBVA Foundation will help to inspire the next generation of researchers towards new heights in our understanding of how the economy, politics, values and policy interact.