

**Dissertation Summary**  
**Lotta Moberg**

**The Political Economy of Special Economic Zones**

This dissertation contributes to the understanding of the special economic zones (SEZs). I apply political economy frameworks to explore when SEZs are successful, promote economic growth, and lead to national reforms. The first two chapters analyze the political and institutional contexts in which SEZs can be beneficial. The third chapter explores the conditions under which SEZs can lead to economic reforms.

**Chapter 1: The Political economy of Special Economic Zones**

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The first chapter explores the policies and institutional environments that make SEZs a better option than the status quo. Even though SEZs attract businesses, they can also be used as tools of corruption and thus do more harm than good for the economy. I apply a robust political economy framework to explore the problems both with distorted incentives and with inadequate knowledge associated with SEZs. The comparative cases of China and India illustrate how these problems play out, as well as their consequences. This analysis allows me to conclude that SEZs can be successful under such institutions as democracy and decentralization, as well as zone privatization.

**Chapter 2: Liberalizing Rent-Seeking: How Export Processing Zones Can Save or Sink an Economy (Job Market Paper)**

In this chapter, I show how export processing zones (EPZs) can be a tool for rent-seeking. I present an endogenous tariff formation model where the government sets tariff rates in response to the lobbying of interest groups that are for or against protectionism. If this rent-seeking scheme is threatened, the government introduces EPZs as a second-best solution to preserve some of rents. In light of the model, I discuss the benefits of EPZs compared to their political alternatives. If zones are introduced to avoid broader economic reforms, they are not in fact beneficial. EPZs only benefit a country when the political alternative is more protectionism. To support my theoretical case, I use data and interview material on the EPZs in the Dominican Republic, compiled during my field studies in the country. The case study illustrates how EPZs come about as a rent-seeking scheme. Yet, because the political alternative in the Dominican case was more protectionism, the EPZs likely improved the country's trade regime.

**Chapter 3: Why no Chinese Miracle in Africa? Special Economic Zones and Liberalization Avalanches (with Vlad Tarko)**

This chapter presents a model showing how SEZs can lead to country-wide reforms of a rent-seeking society. The model implies, however, that this can only happen under fiscal decentralization and with heterogeneous elites. When a majority of the elite opposes reform, fiscal decentralization allows a pro-reform minority to introduce SEZs. SEZs make economic liberalization a lucrative option for more elite members, with more SEZs introduced as a result. A comparative case study of China and Ghana illustrates how Ghana's lack of political homogeneity and fiscal centralization prevented it from following China's example of SEZ led economic reforms.