

# **PSC 565: Political Economy of Development**

**Fall 2014**

**Wednesdays, 2:45pm-5:25pm**

**Harkness, 329**

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## **Overview**

This course surveys selected topics in the extensive literature on political and economic development. We will focus on differences in formal and informal institutions across countries. Topics will include the determinants of economic growth, the modernization hypothesis, distributional conflict, government corruption, the success and failure of states to deliver of public goods, among others.

## **Requirements**

Students must do all required readings, and be prepared to discuss them actively. To test this, students must submit a one page reading response by 10am the day of class. While these should address both the substantive and methodological aspects of the readings, they should not aim to be comprehensive. Instead, you should focus on key themes or questions raised by the readings, and develop your own thoughts about them.

As a final assignment, students must submit a research proposal on a topic relevant to the course material, which should be 10-15 double spaced pages in length. This proposal should outline 1) An existing theoretical or empirical puzzle, 2) an intuition as to a solution to this puzzle, 3) the data needed to test this s, and 4) the identification strategy to be used.

## Course Schedule

### September 3<sup>rd</sup> -- Introduction

### September 10<sup>th</sup> -- Institutions and Development

- Acemoglu, D., S. Johnson and J. Robinson. (2001). "The colonial origins of comparative development: An empirical investigation," *American Economic Review*, 91, 5, 1369-1401.
- Besley, T. and T. Persson. (2009). "The Origins of State Capacity: Property Rights, Taxation and Politics," *American Economic Review*, 99, 1218-44.
- Sokoloff, Kenneth L., and Stanley L. Engerman. "History lessons: Institutions, factors endowments, and paths of development in the new world." *The Journal of Economic Perspectives* (2000): 217-232.
- Acemoglu, D., S. Johnson and J. Robinson. (2002). "Reversal of fortune: Geography and institutions in the making of the world income distribution," *Quarterly Journal of Economics*, 117, 4, 1231-1294.

#### *Additional Reading:*

- Douglass North. *Institutions, Institutional Change and Economic Performance*, Cambridge University Press. Part I.
- La Porta, R., F. Lopez de Silanes and A. Shleifer. (2008). "The Economic Consequences of Legal Origins," *Journal of Economic Literature*, 46, 2, 285-332.
- Rodrik, D., A. Subramanian and F. Trebbi. (2004). "Institutions rule: The primacy of institutions over geography and integration in economic development," *Journal of Economic Growth*, 9, 2, 131-65.
- Sachs, J. (2003). "Institutions don't rule: Direct effects of geography on per capita income," *NBER Working Paper No 9490*.

### September 17<sup>th</sup> -- The Historical Origins of Institutions

- Nunn, Nathan, and Leonard Wantchekon. "The Slave Trade and the Origins of Mistrust in Africa." *American Economic Review* 101.7 (2011): 3221-52.
- Iyer, Lakshmi, and Abhijit Banerjee. "History, Institutions, and Economic Performance: The Legacy of Colonial Land Tenure Systems in India." *American economic review* 95.3 (2005): 1190-1213.
- Lee, Alexander, and Kenneth A. Schultz. "Comparing British and French colonial legacies: A discontinuity analysis of Cameroon." *Quarterly Journal of Political Science* 7.1-46 (2012).

- Michalopoulos, Stelios, and Elias Papaioannou. "Pre-Colonial Ethnic Institutions and Contemporary African Development." *Econometrica* 81.1 (2013): 113-152.

*Additional Reading:*

- Lee, Alexander. "Redistributive Colonialism: The Long Term Legacy of International Conflict in India" 2014.
- Jha, S. (2010). "Complementarities and Religious Tolerance: Evidence from India" *working paper*.
- Guiso, Luigi, Paola Sapienza, and Luigi Zingales. *Long term persistence*. No. w14278. National Bureau of Economic Research, 2008.
- Acemoglu, D., D. Cantoni, S. Johnson, and J. Robinson (2011). "The Consequences of Radical Reform – The French Revolution" *American Economic Review*, 101, 3286-3307.
- Dell, Melissa. "The persistent effects of Peru's mining mita." *Econometrica* 78.6 (2010): 1863-1903.

**September 24<sup>th</sup> -- Clientelism**

- Stokes, S., T. Dunning, M. Nazareno and V. Brusco. 2013. *Brokers, Voters, and Clientelism*. Cambridge University Press. Pages 3-14, and Chapters 2 & 3.
- Keefer, P. 2005. "Clientelism, Credibility, and the Policy Choices of Young Democracies," *American Journal of Political Science*, 51:4, 804-821.
- Shami, M. 2012. "Collective Action, Clientelism, and Connectivity," *American Political Science Review*, 106:3, 588-606.

*Additional Reading:*

- Stokes, S., T. Dunning, M. Nazareno and V. Brusco. 2013. *Brokers, Voters, and Clientelism*. Cambridge University Press. Chapters 4 & 5.
- Arriola, L. 2009. "Patronage and Political Stability in Africa," *Comparative Political Studies*, 42: 10, 1339-1362.
- Hicken, A. 2011. "Clientelism," *Annual Review of Political Science*, 14, 289-310.
- Keefer, P. & R. Vlaicu. 2008. "Democracy, Credibility, and Clientelism," *Journal of Law, Economics, and Organization*, 24:2, 371-406.
- Scott, J. 1969. "Corruption, Machine Politics, and Political Change," *American Political Science Review*, 63:4, 1142-1158.

## October 1<sup>st</sup> -- Corruption

- Ferrez, Claudio and Frederico Finan. 2008. "Exposing Corrupt Politicians: The Effects of Brazil's Publicly Released Audits on Electoral Outcomes." *The Quarterly Journal of Economics* 123(2): 703-745.
- Reinikka, R. & J. Svensson. 2004. "The Power of Information: Evidence from a Newspaper Campaign to Reduce Capture," *Working Paper*, IIES, Stockholm University.
- Banerjee, A., D. Green, J. McManus and R. Pande. 2014. "Are Poor Voters Indifferent to Whether Elected Leaders are Criminal or Corrupt? A Vignette Experiment in Rural India," *Working Paper*.
- Bertrand, M., S. Djankov, R. Hanna and S. Mullainathan. 2007. "Obtaining a Driver's License in India: An Experimental Approach to Studying Corruption," *The Quarterly Journal of Economics*, 122:4, 1639-1676.

### *Additional Reading:*

- Bhavnani, R. 2012. "Using Asset Disclosures to Study Politicians' Rents: An Application to India," *Working Paper*.
- Chong, A., A. De La O, D. Karlan and L. Wantchekon. 2011. "Looking Beyond the Incumbent: The Effects of Exposing Corruption on Electoral Outcomes," *NBER Working Paper* 17679.

## October 8<sup>th</sup> -- Democracy: Macro-Institutional Effects

- Przeworski, A. and F. Limongi. (1997). "Modernization: Theories and facts," *World Politics*, 49, 155-83
- Acemoglu, D., S. Johnson, J. Robinson and P. Yared. (2008). "Income and democracy," *American Economic Review*, 98, 3, 808-842.
- Ross, M. 2006. "Is Democracy Good for the Poor?" *American Journal of Political Science*, 50:4, 860-874.
- Barro, R. (1996). "Democracy and Growth," *Journal of Economic Growth*, 1, 1, 1-27.

### *Additional Reading:*

- Lipset, S. M. (1959). "Some social requisites of democracy: Economic development and political legitimacy." *American Political Science Review*, 53, 69-105
- Acemoglu, D., S. Naidu, P. Restrepo, & J. A. Robinson. 2014. "Democracy Does Cause Growth," *NBER Working Paper*, 2004.
- Boix, C. and S. Stokes. (2003). "Endogenous democratization," *World Politics*, 55, 517-49.
- Rajan, Raghuram G. "The persistence of underdevelopment: constituencies and competitive rent preservation." (2007).
- Stasavage, D. 2005. "Democracy and Education Spending in Africa," *American Journal of Political Science*, 49:2, 343-358.

## October 15<sup>th</sup> -- Democracy: Micro-Institutional Effects

- Besley, T. and R. Burgess. 2002. "The Political Economy of Government Responsiveness: Theory and Evidence from India," *Quarterly Journal of Economics*, 117:4, 1415-1451.
- Harding, R. & D. Stasavage. 2014. "What Democracy Does (and Doesn't do) for Basic Services: School Fees, School Inputs, and African Elections," *The Journal of Politics*, 76:1, 229-245.
- Kudamatsu, M. 2012. "Has Democratization Reduced Infant Mortality in Sub-Saharan Africa? Evidence from Micro Data," *Journal of the European Economic Association*, 10:6, 1294-1317.
- Tsai, Lily. 2007. "Solidary Groups, Informal Accountability, and Local Public Goods Provision in Rural China." *American Political Science Review* 101(2): 355-372.

### *Additional Reading:*

- Lake, D. and M. Baum. 2001. "The Invisible Hand of Democracy: Political Control and the Provision of Public Services," *Comparative Political Studies*, 34:6, 587-621.
- Mani, A. and S. Mukand. 2007. "Democracy, Visibility and Public Good Provision," *Journal of Development Economics*, 83:2, 506-529.
- Hecock, R. 2006. "Electoral Competition, Globalization, and Subnational Education Spending in Mexico, 1999-2004," *American Journal of Political Science*, 50:4, 950-961.

## October 22<sup>nd</sup> -- Macro-Economic Policy and Industrialization

- W.W. Rostow (1960), *The Stages of Economic Growth* (Cambridge: Cambridge University Press), Chapter 2, "The Five Stages-of-Growth – A Summary," pp. 4-17.
- Alexander Gerschenkron (1962), *Economic Backwardness in Historical Perspective* (Cambridge: Harvard University Press), Chapter 1, "Economic Backwardness in Historical Perspective," pp. 5-30.
- Evans, Peter B. *Embedded autonomy: states and industrial transformation*. Princeton: Princeton University Press, 1995. P.3-20, 43-73
- Bates, Robert H. *Markets and states in tropical Africa: the political basis of agricultural policies*. Univ of California Press, 2014. P. 1-11, 81-95.

### *Additional Reading:*

- Ferguson, James. *The anti-politics machine: "development," depoliticization, and bureaucratic power in Lesotho*. CUP Archive, 1990.
- Sinha, Aseema. *The regional roots of developmental politics in India: A divided leviathan*. Indiana University Press, 2005.
- Evans, Peter B. *Embedded autonomy: states and industrial transformation*. Princeton: Princeton University Press, 1995.
- Kaufman, Robert R., Harry I. Chernotsky, and Daniel S. Geller. "A preliminary test of the theory of dependency." *Comparative Politics* (1975): 303-330.

## October 29<sup>th</sup>-- Conflict and Civil War

- Miguel, E., S. Satyanath, & E. Sergenti. 2004. "Economic Shocks and Civil Conflict: An Instrumental Variables Approach," *Journal of Political Economy*, 112:4, 725-753.
- Blattman, C. and J. Annan. 2010. "The Consequences of Child Soldiering," *Review of Economics and Statistics*, 92:4, 882-898.
- Besley, T. and M. Reynal-Querol. 2014. "The Legacy of Historical Conflict: Evidence from Africa," *American Political Science Review*, 108:2, 319-336.
- Jha, Saumitra, and Steven Wilkinson. 2012. "Does Combat Experience Foster Organizational Skill? Evidence from Ethnic Cleansing during the Partition of South Asia." *American Political Science Review* 106:4, 883-907.

### *Additional Reading:*

- Fearon, J. D. & D. Laitin. 2003. "Ethnicity, Insurgency, and Civil War," *American Political Science Review*, 97:1, 75-90.
- Dube, O. and J. Vargas. 2013. "Commodity Price Shocks and Civil Conflict: Evidence from Columbia," *Review of Economic Studies*, 80, 1384-1421.
- Collier, P. 1999. "On the Economic Consequences of Civil War," *Oxford Economic Papers*, 51, 168-183.
- Miguel, E. and S. Satyanath. 2011. "Re-examining Economic Shocks and Civil Conflict," *American Economic Journal: Applied Economics*, 3:4, 228-232.
- Sermeels, P. & M. Verpoorten. 2013. "The Impact of Armed Conflict on Economic Performance: Evidence from Rwanda," *Journal of Conflict Resolution*, online.

## November 5<sup>th</sup> -- The Resource Curse and Environmental Determinism

- William Easterly and Ross Levine. 2002. "Tropics, Germs, and Crops: How Endowments Influence Economic Development." *Journal of Monetary Economics*.
- Michael Ross. 1999. "The Political Economy of the Resource Curse." *World Politics* 51.
- Haber, Stephen, and Victor Menaldo. "Do natural resources fuel authoritarianism? A reappraisal of the resource curse." *American Political Science Review* 105.01 (2011): 1-26.
- Pomeranz, Kenneth. *The great divergence: China, Europe, and the making of the modern world economy*. Princeton University Press, 2009. Introduction.

### *Additional Reading:*

- Jensen, N. and L. Wantchekon. 2004. "Resource Wealth and Political Regimes in Africa," *Comparative Political Studies*, 37:7, 816-841.
- Dunning, T. 2005. "Resource Dependence, Economic Performance, and Political Stability," *Journal of Conflict Resolution*, 49:4, 451-482.

- Humphreys, M. 2005. "Natural Resources, Conflict, and Conflict Resolution," *Journal of Conflict Resolution*, 49:4, 508-537.

### November 12<sup>th</sup> -- Foreign Aid

- Ahmed, F. 2012. "The Perils of Unearned Foreign Income: Aid, Remittances, and Government Survival," *American Political Science Review*, 106:1, 146-165.
- Bueno de Mesquita, B. and A. Smith. 2009. "A Political Economy of Aid," *International Organization*, 63:2, 309-340.
- Fearon, J., M. Humphreys and J. Weinstein. 2009. "Can Development Aid Contribute to Social Cohesion after Civil War? Evidence from a Field Experiment in Post-Conflict Liberia," *American Economic Review*, 99:2, 287-291.
- Clemens, M., S. Radelet, S., R. Bhavnani and S. Bazzi. 2011. "Counting Chickens When They Hatch: Timing and the Effects of Aid on Growth," *The Economic Journal*, 122, 590-617.

#### *Additional Reading:*

- Dunning, T. 2004. "Conditioning the Effects of Aid: Cold War Politics, Donor Credibility, and Democracy in Africa," *International Organization*, 58:2, 409-423.
- Steinwand, M. 2014. "Foreign Aid and Political Stability," *Conflict Management and Peace Science*, online.

### November 19<sup>th</sup> -- Identity and Politics

- Easterly, William, and Ross Levine. "Africa's growth tragedy: policies and ethnic divisions." *The Quarterly Journal of Economics* (1997): 1203-1250.
- Chattopadhyay, Raghavendra, and Esther Duflo. "Women as policy makers: Evidence from a randomized policy experiment in India." *Econometrica* 72.5 (2004): 1409-1443.
- Habyarimana, J., M. Humphreys, D. Posner & J. Weinstein. 2007. "Why Does Ethnic Diversity Undermine Public Goods Provision?" *American Political Science Review*, 101:4, 709-725.
- Posner, Daniel N. "Measuring ethnic fractionalization in Africa." *American journal of political science* 48.4 (2004): 849-863.

#### *Additional Reading:*

- Easterley, W. and R. Levine. 1997. "Africa's Growth Tragedy: Policies and Ethnic Divisions," *Quarterly Journal of Economics*, 112:4, 1203-1250.
- Banerjee, Abhijit, and Rohini Somanathan. "The political economy of public goods: Some evidence from India." *Journal of development Economics* 82.2 (2007): 287-314.

- Chandra, Kanchan, ed. *Constructivist theories of ethnic politics*. Oxford University Press, 2012.
- Posner, Daniel N. "The political salience of cultural difference: Why Chewas and Tumbukas are allies in Zambia and adversaries in Malawi." *American Political Science Review* 98.4 (2004): 529-545.
- Bates, Robert H. "Ethnicity and development in Africa: A reappraisal." *American Economic Review* (2000): 131-134.
- Cilliers, J., O. Dube and B. Siddiqi. 2013. "'White Man's Burden?' A Field Experiment on Generosity and Foreigner Presence," *Unpublished*.

### **December 3<sup>rd</sup> -- Identity and Behavior**

- Dunning, T. and L. Harrison. 2010. "Cross-Cutting Cleavages and Ethnic Voting: An Experimental Study of Cousinage in Mali," *American Political Science Review*, 104:1, 21-39.
- Baldwin, K. 2013. "Why Vote with the Chief? Political Connections and Public Goods Provision in Zambia," *American Journal of Political Science*, 57:4, 794-809.
- Ichino, N. and N. Nathan. 2013. "Crossing the Line: Local Ethnic Geography and Voting in Ghana," *American Political Science Review*, 107:2, 344-361.
- Dunning, Thad, and Janhavi Nilekani. "Ethnic quotas and political mobilization: caste, parties, and distribution in Indian village councils." *American Political Science Review* 107.01 (2013): 35-56.

#### *Additional Reading:*

- Lieberman, E. and G. McClendon. 2012. "The Ethnicity-Policy Preference Link in Sub-Saharan Africa," *Comparative Political Studies*, 46:5, 574-602.
- Fehr, E., K. Hoff and M. Kshetramade. 2008. "Spite and Development," *American Economic Review: Papers & Proceedings*, 98:2, 494-499.

### **December 10<sup>th</sup> -- Student Presentations**