

The Political Economy of Development
SPRING 2019

Pablo Querubín
Department of Politics, NYU
19w 4th Street, Room 428
Email: pablo.querubin@nyu.edu
Tel: 212 992 6525

Course Description:

This course explores the political causes and consequences of underdevelopment. It goes beyond traditional explanations for economic growth often covered in macroeconomics courses and argues that a fundamental driver of a country's economic development are its economic and political institutions. We will study the deep historical roots of these institutions and the way in which they have evolved. The course will also show that economic development is one of other several outcomes that co-evolve with institutions. Underdeveloped societies often have weak states and are more prone to conflict, crime, corruption and distorted economic policies, topics we will study throughout the course. We will cover cutting-edge research on this subject, and will discuss the statistical analysis and simple mathematical models used by scholars to study these questions.

Time and Location: Tuesday and Thursday 9:30 a.m.-10:45 a.m. Room: Kimmel Center - 580.

Office hours: Tuesday-Thursday 11:00am-12:30pm. Please keep in mind you need to sign up in advance using the following link:

<https://www.wejoinin.com/sheets/ahgom>

TA: Carlos Felipe Balcazar (cfb310@nyu.edu).

Requirements: All students are expected to have completed the relevant readings before the class meeting each week. The course is not taught from a single textbook. Instead, weekly readings will be drawn from one required textbook, and from a collection of articles and book chapters (whenever possible, these readings will be posted on the NYU Classes course site). You should aim to evaluate critically the theoretical argument and the evidence advanced in each reading. Some of the readings contain sections that are a bit technical.

Grading:

The final grade is based on: two short assignments, a midterm, a final exam, and overall class participation. They will count toward the grade as follows:

Short Assignments: 25% (12.5% each)

- 1st Assignment (**Due February 28th**)
- 2nd Assignment (**Due April 25th**)

Midterm (**March 14**): 30%

Final (**May 9**): 40%

Attendance and Participation: 5%

Policies:

- Students are expected to have completed the required reading before the class.
- Class attendance is strongly encouraged: we will offer cover topics not included in the required readings that you will be expected to know for the exams. In addition I may conduct unannounced short quizzes in some lectures.
- Make sure you read and adhere strictly to the basic principles of Academic Integrity (<http://cas.nyu.edu/page/academicintegrity>) as well as the Honor Code (<http://cas.nyu.edu/page/honorcode>).

Lecture Schedule and Readings

Assigned readings are marked with a () and will be announced at least two weeks prior to the corresponding lecture. Make sure you check this online version of the syllabus regularly for the most updated version. For any doubts or questions please email the TA Carlos F. Balcazar at cfb310@nyu.edu**

A. Fundamental vs Proximate Causes of Underdevelopment

Cross-Country and Sub-National Patterns of Economic Development (January 29)

Institutions, Geography and Culture (January 31, February 5)

Acemoglu, Daron and James Robinson (2012), *Why Nations Fail*, Crown Publishers: New York, Chap. 3. (**)

Acemoglu, Daron, Simon Johnson and James Robinson (2005), "Institutions as a fundamental cause of Long Run Growth" in Aghion Philippe and Steven Durlauf Eds., *Handbook of Economic Growth*, Vol 1A, Chap. 6., pp. 388-396, 421-428, 448-451. (**)

Diamond, Jared (1997), *Guns, Germs and Steel*, Norton: New York, NY.

Banfield, Edward (1958). *The Moral Basis of a Backward Society*. The Free Press, New York.

Robert Putnam. *Making Democracy Work: Civic Traditions in Modern Italy*. Princeton University Press, 1993 (Read Chapters 1, 4 and 6) (*)

B. Review of Research and Empirical Methods (February 7)

Angrist, Joshua, and Steven Pischke (2014), *Mastering 'Metrics: The Path from Cause to Effect, 1st edition*, Princeton University Press: Princeton, NJ. Read the Introduction (**)

Angrist, Joshua, and Steven Pischke (2009), *Mostly Harmless Econometrics: An Empiricist's Companion*, 1st edition, Princeton University Press: Princeton, NJ. Read Chapters 1 and 2 (**)

C. Historical Legacies and Long Term Persistence (February 12, 14 and 19)

Acemoglu, Daron and James Robinson (2012), *Why Nations Fail*, Crown Publishers: New York, Chap. 1

Acemoglu, Daron., Simon Johnson and James Robinson (2002) "Reversal of Fortune: Geography and Institutions in the Making of the Modern World Income Distribution." *The Quarterly Journal of Economics*. 117:1231-1294. (**)

Acemoglu, Daron., Simon Johnson and James Robinson (2001) "The Colonial Origins of Comparative Development: An Empirical Investigation" *American Economic Review*, 91(5), pp. 1369-1401. (**)

Engerman Stanley L. and Kenneth L. Sokoloff (1997). "Factor Endowments, Institutions and Differential Paths of Growth among New World Economies", in Stephen H. Haber (ed.), *How Latin America Fell Behind*, Stanford University Press, Stanford, CA. (**)

Dell, Melissa (2010), "The Persistent Effect of Peru's Mining Mita", *Econometrica*, 78(6), pp. 1863-1903

Abhijit Banerjee and Lakshmi Iyer. History, Institutions, and Economic Performance: The Legacy of Colonial Land Tenure Systems in India. *American Economic Review*, 95(4):1190-1213, 2005

Nathan Nunn. The Long-term Effects of Africa's Slave Trades. *The Quarterly Journal of Economics*, 123(1):139-176, 2008 (**)

D. Where Do Institutions Come From?

Introduction to Basic Political Economy Models (February 21)

Acemoglu, Daron and James A. Robinson (2006). *Economic Origins of Dictatorship and Democracy*, Chapter 4. Cambridge University Press, New York. (**)

Persson, Torsten and Guido Tabellini (2000). *Political Economics: Explaining Economic Policy*, Cambridge: MIT Press. Chapters 2 and 3.

Democratization (February 26 and 28)

Acemoglu, Daron and James A. Robinson (2006), *Economic Origins of Dictatorship and Democracy*, Cambridge University Press: New York. Chaps. 1-3.(**)

Baland, Jean-Marie, and James A. Robinson (2008), "Land and power: Theory and evidence from Chile", *American Economic Review*, 98(5): 1737-1765.(**)

Fujiwara, Thomas (2015), "Voting Technology, Political Responsiveness, and Infant Health: Evidence from Brazil", *Econometrica*, 83(2): 423-464 (**)

Persistence and Change (March 5)

Robinson, J. A., & Acemoglu, D. (2008). "Persistence of Power, Elites and Institutions." *American Economic Review*, 98(1). (**)

Monica Martinez-Bravo, (2014), The Role of Local Officials in New Democracies: Evidence from Indonesia. *American Economic Review*, 104 (4), 1244–1287. (**)

Banerjee, A. & Duflo E. (2014). "Under the Thumb of History? Political Institutions and the Scope for Action," *Annual Review of Economics*, Vol. 6: 951 -971.

Political Agency - Do Leaders Matter? (March 7 and 12)

Jones, Benjamin F. and Olken, Benjamin A. (2005) "Do Leaders Matter? National Leadership and Growth Since World War II," *Quarterly Journal of Economics*, 120, 835-864 (**)

Chattopadhyay, Raghavendra and Duflo, Esther (2004) "Women as Policy Makers: Evidence from an India-wide Randomized Policy Experiment", *Econometrica*, Vol. 72, No. 5, pp. 1409-1443. (**)

Corvalan, Alejandro, Pablo Querubin, and Sergio Vicente. The Political Class and Redistributive Policies. *Journal of the European Economic Association*, forthcoming (**)

Meyersson, Erik (2014). Islamic Rule and the Empowerment of the Poor and Pious. *Econometrica*, 82(1): 229-269.

E. The State

State Capacity and Economic Development (March 26 and 28)

Besley, Timothy and Torsten Persson (2011), *Pillars of Prosperity: The Political Economics of Development Clusters*, Princeton University Press: Princeton NJ. Chapter 1 (**)

Acemoglu, Daron, Camilo García-Jimeno, and James A. Robinson (2014). "State Capacity and Development: A Network Approach", *American Economic Review*, 105(8): 2364-2409. (**)

Dell, Melissa, Nathan Lane and Pablo Querubin (2018), "The Historical State, Local Collective Action and Economic Development in Vietnam", *Econometrica*, 86(6), pp. 2083-2121 (**)

Stelios Michalopoulos and Elias Papaioannou. Pre-Colonial Ethnic Institutions and Contemporary African Development. *Econometrica*, 81(1), 2013 (**)

Drug Cartels, Illegal Economies and Organized Crime (April 2)

Dell, Melissa (2015), "Trafficking Networks and the Mexican Drug War", *American Economic Review*, 105(6): 1738-1779. (**)

Dube, Oeindrila, Omar Garcia-Ponce and Kevin Thom (2016), "From Maize to Haze: Agricultural Shocks and the Growth of the Mexican Drug Sector", *Journal of the European Economic Association*, 14(5): 1181-1224. (**)

Dube, Arindrajit, Oeindrila Dube and Omar Garcia Ponce (2013), "Cross-Border Spillover: U.S. Gun Laws and Violence in Mexico", *American Political Science Review*, 107(3): 397-417.

Civil War and Conflict (April 4)

Dube, Oeindrila and Juan F. Vargas (2013), "Commodity Price Shocks and Civil Conflict: Evidence from Colombia", *Review of Economic Studies*, 80(4): 1384-1421. (**)

Miguel, Edward, Sebastian M. Saiegh and Shanker Satyanath (2011) "Civil war Exposure and Violence" *Economics & Politics* 23 (1), 59-73.

Waldmann, Peter (2007), "Is there a Culture of Violence in Colombia?" *International Journal of Conflict and Violence*, 1: 61-75.

Foreign Intervention I: Top Down vs Bottom-Up Approaches (April 9 and 11)

Dell, Melissa and Pablo Querubin (2017), "Nation Building Through Foreign Intervention: Evidence from Discontinuities in Military Strategies", forthcoming, *Quarterly Journal of Economics*. (**)

Berman, Eli, Jacob N. Shapiro, and Joseph H. Felter (2011), "Can Hearts and Minds Be Bought? The Economics of Counterinsurgency in Iraq" *Journal of Political Economy*, 119 (4), 766-819.

Beath, Andrew, Christia Fotini and Ruben Enikolopov (2016), "Can Development Programs Counter Insurgencies?: Evidence from a Field Experiment in Afghanistan", Working Paper.

Dube, A., Kaplan, E., and Naidu, S. (2011). "Coups, Corporations, and Classified Information" *Quarterly Journal of Economics*, 126(3): 1375-1409 (**)

Berger D, Easterly W, Nunn N, Satyanath S. (2013). "Commercial Imperialism? Political Influence and Trade During the Cold War." *American Economic Review*. 103(2). 863-896.

Foreign intervention II: Foreign Aid (April 16)

Alesina, A., & Dollar, D. (2000). Who Gives Foreign Aid to Whom and Why? *Journal of Economic Growth*, 5(1), 33-63.

Nunn N, Qian N. (2014). "U.S. Food Aid and Civil Conflict." *American Economic Review*. 104(6):1630-1666. (**)

Katherine Casey, Rachel Glennerster, and Edward Miguel (2012), "Reshaping Institutions: Evidence on Aid Impacts Using a Pre-Analysis Plan", *Quarterly Journal of Economics*, 1755-1812. (**)

G. State Weakness as an Equilibrium: Corruption

Corruption and Fraud and How to Stop Them (April 18 and 23)

Fisman, Ray (2001) "Estimating the Value of Political Connections," *American Economic Review*, 91: 1095-1102. (**)

Fisman, Ray and Wei, Shang-Jin (2004) "Tax Rates and Tax Evasion: Evidence from "Missing Imports" in China", *Journal of Political Economy*, 112(2): 471-500.

Reinikka, Ritva and Svensson, Jacob (2004) "Local Capture: Evidence from a Central Government Transfer Program in Uganda," *Quarterly Journal of Economics*, 119: 679-705.

Ferraz, Claudio and Frederico Finan (2008), "Exposing Corrupt Politicians: The Effects of Brazil's Publicly Released Audits and Electoral Outcomes", *Quarterly Journal of Economics*, 123(2): 703-74 (**)

Ferraz, Claudio and Frederico Finan (2011), "Electoral Accountability and Corruption: Evidence from the Audits of Local Governments", *American Economic Review*, 101(4): 1274-1311. (**)

H. The Political Economy of Economic Policy

Macroeconomic Crisis and Economic Reforms (April 25)

Acemoglu, Daron, Simon Johnson, Pablo Querubín, and James A. Robinson (2008), "When Does Policy Reform Work? The Case of Central Bank Independence", in *Brookings Papers on Economic Activity*, Spring, pp. 351-417. (**)

Williamson, John (2006), "What Washington Means by Policy Reform", In Peter R. Kingstone, ed. *Readings in Latin American Politics*, Houghton Mifflin: Boston, pp. 83-89.

Mukand, Sharun and Dani Rodrik (2005), "In Search of the Holy Grail: Policy Convergence, Experimentation, and Economic Performance", *American Economic Review*, 95(1): 374-383.

Property Rights and Redistributive Policies (April 30, May 2 and 7)

Holland, Alisha (2016), "Forbearance", *American Political Science Review*, 110(2): 232-246. (**)

Holland, Alisha (2015), "The Distributive Politics of Enforcement", *American Journal of Political Science*, 59(2): 357-371. . (**)

Field, Erica (2005), "Property Rights and Investment in Urban Slums", *Journal of the European Economic Association*, 3(23): 279-290. (**)

Robert Bates. *Markets and States in Tropical Africa: The Political Basis of Agricultural Policies*. University of California Press, 1981 (Read pp. 11-29 and 81-118) (**)

Udry, Christopher and Goldstein, Markus (2008) "The Profits of Power: Land Rights and Agricultural Investment in Ghana," *Journal of Political Economy*, 116(6): 981-1022.

Galiani, Sebastian and Ernesto Scharrogradsky (2010), "Property Rights for the Poor: Effects of Land Titling", *Journal of Public Economics*, 94(9-10): 700-729.

Di Tella, Rafael, Sebastián Galiani and Ernesto Scharrogradsky (2007), "The Formation of Beliefs: Evidence from the Allocation of Land Titles to Squatters", *Quarterly Journal of Economics*, 122(1): 209-241.