

The Political Economy of Development

PPHA41120/ECON35570/PLSC46600

James Robinson

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Course Information

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Office Hours Thursday 4.30-6.30 pm, or by appointment.

Teaching Assistant TBA

Lecture Mondays & Wednesdays 3:00-4:20pm live and in person!

Who may take this course? This course is intended as an advanced research seminar for Ph.D. students in economics, public policy, and political science. It can be used to fulfill the development field at Harris and the economics department. Other Ph.D. students are welcome but will benefit from some experience in game theory and causal inference. Master's students are not eligible and should take one of the other classes on political economy taught by me, for example the one with Raúl Sánchez de la Sierra (Economics, Politics, and African Societies). There are no exceptions. I talk very little about Africa in this course even though that is where some of the most exciting research in political economy of development is taking place. Therefore if this is your area I would urge you to take that course as well because there is no overlap with this one by design.

Requirements

Auditing This is possible but you'll get much more out of it if you engage fully and in particular develop a research proposal which we will discuss at the end of the quarter.

Course description

This course is intended as an introduction for Ph.D. students to the research literature in the political economy of development. Its purpose is to:

- Give you a sense of the frontier research topics
- Introduce you to some of the canon
- Give you a command of how social science tools are used in this area
- Highlight important and under-researched questions, ripe for a dissertation

The reading list is intentionally long, to give those of you interested in the field an opportunity to dig deeper into some of the topics in this area. The lectures will cover some of the papers in detail but I'll probably just send up mentioning some of them briefly.

Though the research papers in this course tend to be short and focused on very specific questions that one can hopefully answer in a convincing way, often inspiration, ideas and questions themselves come from very different sorts of research, qualitative, ethnographic and works which have studied a subject in a very different way than you might. We hope you'll come away from the class with some appreciation of this perspective and the rich set of ideas and questions it provides for us. There is a great deal of knowledge about the world out there even if it isn't presented in ways which attempt to establish causal hypotheses. Even more important, sometimes the thirst to establish causal hypotheses leads us to set aside things which ultimately turn out to be very important.

This is a very eclectic subject but the theme that unites it is an argument that traditional approaches to trying to understand economic development, particularly in terms of the 'fundamentals' of standard economic models, cannot satisfactorily account for the evidence. 'Satisfactorily' is a bit "in the eye of the beholder" and this course will necessarily be a bit subjective. Nevertheless, I try to argue using many different sources of evidence from regressions, through case studies and ethnographic material, that it is very unlikely that the tools development economists have used for the past 50 years to study why poor countries stay poor and why rich countries got rich, are sufficient for the task.

One main argument is that societies are organized in very different ways with very different consequences for prosperity. I tend to talk about these differences in organization in terms of the institutional differences in society, the differences in the rules which create very different patterns of incentives and opportunities and very different allocations of resources. Institutions will be thought of in a very broad way, from traditional economic institutions like property rights, through political institutions, such as how collective decision are made, all the way to social institutions like kinship relationships. This is a much broader agenda than traditional 'institutionalism' in economics or political science but I think logically we

have to anticipate that any aspect of the way a society is organized could have important consequences for the economy and we're going to give you a lot of examples of this.

Why then the emphasis on 'political' as in 'political economy of development'. That's an empirical claim that to understand institutional differences and their consequences for prosperity you need to understand power and how it is exercised. Put simply, the institutions of a society are chosen by the society themselves through some process of collective decision making (preference aggregation). Different distributions of power in society lead to different collective choices and these have different consequences for development. If this is right then understanding comparative development is ultimately going to be about understanding comparative politics.

This is not the only way to think about institutional differences however, as we will see. Standard views in economic theory would suggest institutional differences are efficient and reflect differences in underlying circumstances (factor endowments etc.). Such theories regard the distribution of power in society as irrelevant to understanding institutions and the efficiency of resource allocation (though it may determine the distribution of surplus). If this view is correct (and I'll present evidence that it isn't) then institutional differences cannot be the source of comparative economic development. Other views emphasize the cultural origins of institutional differences, I'll give examples of these and of other views which emphasize the ideological origins of institutional differences.

Examples suggest that both of these approaches have explanatory power in some contexts. The main issue is how important quantitatively they are compared to other (e.g. political) approaches. I'm going to mostly emphasize the political approach, but I think you should keep an open mind about the others which have been much less researched and studied empirically.

Grading

100% Research proposal presentation

100% of the course grade will be based on a full research proposal which every student has to present at the end of the class.

The research proposal must be related to the political economy of development, broadly construed. While I am somewhat flexible on topic, it should be in the spirit of "development" in that it is not focused on a contemporary OECD country. Thus it could be a historical project or one focused on a low - or middle-income country.

Students who have existing research proposals are welcome to develop them further in this class, but they must be able to demonstrate substantive progress over the quarter. So we would ask that you share with me a recent proposal or presentation of the work at

the beginning of the semester to be able to illustrate progression over the 9 weeks of the class. Note, however, that in my experience projects of this kind have performed poorly in the past, because substantive progress and innovation was not apparent. This is a course, hopefully, which will stimulate new ideas.

A 1–2 page proposal is due in Week 6.

The last week of the quarter will be devoted to student presentations of their proposal. I find this a useful deadline for people and a great way to get feedback on a project. This approach has also led to dissertation projects and published papers in the past.

The aim is not to have a well crafted research paper by the end of the quarter but rather to have a good question or puzzle that interests you, where you can place it in a literature and come up with a research design and plan. This is usually empirical, but you don't even need to have run a regression, but know what data would you use, what is the hypothesis, what model would you estimate?

Weekly schedule

1 Everything you wanted to know about Political Economy but were afraid to ask (March 28)

I start with a primer on the political economy emphasizing some ideas about why politics leads to inefficient outcomes and what creates variation in political equilibria. This is associated with different notions of "power".

- **Bates, Robert H. (1981)** *Markets and States in Tropical Africa*, Berkeley: University of California Press.
- **Lizzeri, Alessandro and Nicola Persico (2001)** "The Provision of Public Goods under Alternative Electoral Incentives," *American Economic Review*, 91, 1, 225-239.
- **Chattopadhyay, Raghendra and Esther Duflo (2004)** "Women as Policy Makers: Evidence from a Randomized Policy Experiment in India," *Econometrica*, 72, No. 5 1409-1443.
- **Persson, Torsten and Guido Tabellini (2000)** *Political Economics*, Cambridge: MIT Press. (Background reading on basic models in political economy).
- **Acemoglu, Daron (2005)** "Modelling Inefficient Institutions," *Advances in Economic Theory World Congress 2006*

http://econ-www.mit.edu/faculty/download_pdf.php?id=1214 (An attempted taxonomy of mechanisms that lead to inefficient outcomes)

2 Cauterizing Politics (March 30)

Once an economist realizes that “politics” causes deviations for welfare maximizing outcomes (such as the efficient provision of public goods) his/her reaction is to try to cauterize politics. I here argue that this is a mistake. Politics doesn’t go away.

- **Ferraz, Claudio and Frederico Finan (2008)** “Exposing Corrupt Politicians: The Effects of Brazil’s Publicly Released Audits on Electoral Outcomes,” *Quarterly Journal of Economics*, 123, 2, 703-745.
- **Gonzales, Mariella (2021)** “Politics never end: Patronage Effects of Increased Transparency,” https://harris.uchicago.edu/files/2021-10/gonzales_oct2021_0.pdf
- **Acemoglu, Daron, Simon Johnson, Pablo Querubín and James A. Robinson (2008)** “When Does Policy Reform Work? The Case of Central Bank Independence ” *Brookings Papers on Economic Activity*, Spring 2008, 351-429.

3 Productive Politics (April 4)

There is something rather odd about the intellectual tradition which sees politics as a “friction”. What is the benchmark? In fact I shall argue that politics is productive, not a friction. This way of thinking creates a much more interesting way to think about whether political equilibria are efficient or not.

- **Markussen, Thomas, Robert Putterman and Jean-Robert Tyran (2014)** “Self-Organization for Collective Action: An Experimental Study of Voting on Formal, Informal, and No Sanction Regimes,” *Review of Economic Studies*, 81: 301 – 324.
- **Heldring, Leander, James A. Robinson and Sebastian Vollmer (2022)** “Long Run Impact of the English Parliamentary Enclosures,” <https://www.nber.org/papers/w29772>
- **Acemoglu, Daron (2003)** “Why Not a Political Coase Theorem?” *Journal of Comparative Economics*, 31, 620-652.
- **Wittman, Donald (1989)** “Why Democracies Produce Efficient Results,” *Journal of Political Economy*, 97(6), 1395-1424.

4 Democracy: de jure institutionalism (April 6)

A venerable tradition in political economy focuses on de jure political institutional (think of this as laws, constitutions..) variation as driving differences in political equilibria. We study some examples and how they interact with other forces such as the media.

- **Torsten Persson and Guido Tabellini (2004)** “Constitutional Rules and Fiscal Policy Outcomes ” *American Economic Review*, 94, 1, 25-45.
- **Fujiwara, Thomas (2015)** “Voting Technology, Political Responsiveness, and Infant Health: Evidence from Brazil,” *Econometrica*, 83(2): 423-464.
- **DellaVigna, Stefano and Ethan Kaplan (2007)** “The Fox News Effect: Media Bias and Voting,” *Quarterly Journal of Economics*, 122(3): 1187-1234.
- **Strömberg , David (2004)**. “Radio’s Impact on Public Spending ” *Quarterly Journal of Economics* 119(1): 189-221.
- **Torsten Persson, Gérard Roland, Guido Tabellini (2000)** “Comparative Politics and Public Finance ” *Journal of Political Economy*, Vol. 108, No. 6 (December 2000), pp. 1121-1161.

5 Democracy: de facto power (April 11)

But the current consensus is that variation in de jure political institutions is unlikely to provide an explanation for patterns of development. More recent focus has been on (very diverse sources of) ”de facto” power, rather than power which flows from the de jure institutions. (This distinction is useful but not water tight as we’ll see).

- **Finan, Frederico and Laura Schechter (2012)** “Vote Buying and Reciprocity,” *Econometrica*, 80(2), 863–881.
- **Cruz, Cesi, Julianne Labonne and Pablo Querubin (2017)** “Politician Family Networks and Electoral Outcomes,” *American Economic Review*, 107(10), pp. 3006-3037.
- **Anderson, Siwan, Patrick Francois and Ashok Kotwal (2015)** “Clientelism in an Indian Village,” *American Economic Review*, 105(6): 1780-1816.
- **Baland, Jean-Marie and James A. Robinson (2008)** “Land and Power: Theory and Evidence from Chile,” *American Economic Review*, 98(5): 1737-65.

- **Simon Commander and Stavros Poupakis (2020)** “Political Networks Across the Globe ” IZA Discussion Paper No. 13103
- **Matías Iaryczower, Pablo T. Spiller and Mariano Tommasi** “Judicial Independence in Unstable Environments, Argentina 1935-199. *American Journal of Political Science* Vol. 46, No. 4 (Oct., 2002), pp. 699-716.

6 Endogenizing de jure institutions: conceptualizing dictatorship (April 13)

All the work so far emphasized democratic politics. But how does politics work in non-democracies? I discuss some basic issues and an interesting debate on China.

- **Padró i Miquel, Gerard (2007)** “The Control of Politicians in Divided Societies: The Politics of Fear,” *Review of Economic Studies*, 74(4): 1259-1274.
- **Acemoglu, Daron and James A. Robinson (2001)** “A Theory of Political Transitions,” *American Economic Review*, 91, 4, 938-963.
- **Buchheim, Lukas and Robert Ulbricht (2020)** “A Quantitative Theory of Political Transitions,” *Review of Economic Studies*, Volume 87, Issue 4, 1726–1756.
- **Tsai, Lily (2007)** “Solidary Groups, Informal Accountability, and Local Public Goods Provision in Rural China ” *American Political Science Review*, 101, 2, 355-372.
- **Beraja, Martin, Andrew Kao, David Y. Yang and Noam Yuchtman (2022)** “AI-tocracy ” <http://davidyyang.com/>
- **Akerlof, Robert , Hongyi Li, and Jonathan Yeo (2020)** “Lords and Vassals: Power, Patronage, and the Emergence of Inequality ” <http://robertakerlof.com/download/lords-5-12-20.pdf>

7 Democracy versus Dictatorship (April 18)

What do we know about the policy and development consequences of these different regimes? I emphasize ideas about how comparative statics are conditional on regime type.

- **Acemoglu, Daron, Suresh Naidu, Pascual Restrepo, and James A. Robinson** “Democracy Does Cause Growth,” *Journal of Political Economy* 127, 1, 47-100.

- **Lizzeri, Alessandro and Nicola Persico (2004)** “Why did Elites Extend the Suffrage?,” *Quarterly Journal of Economics* Volume 119, Issue 2, 1, 707–765.
- **Acemoglu, Daron, James A. Robinson and Ragnar Torvik (2013)** “Why Do Voters Dismantle Checks and Balances?” *Review of Economic Studies*, 80 (3): 845-875.
- **Yanagizawa-Drott, David (2014)** “Propaganda and Conflict: Evidence from the Rwandan Genocide ” *Quarterly Journal of Economics* 129, 4, 1947–1994.
- **Hodler, Roland, and Paul A. Raschky (2014)** “Regional favoritism.” *Quarterly Journal of Economics*, 129, 2, 995-1033.
- **Maja Adena, Ruben Enikolopov, Maria Petrova, Veronica Santarosa, Ekaterina Zhuravskaya (2015)** “Radio and the Rise of The Nazis in Prewar Germany,” *Quarterly Journal of Economics*, 130, 4, 1885-1939.

8 The Ungoverned Spaces (April 20)

Much of the research we have studied has implicit assumptions on the scope of the authority of the state, but one clear fact about developing countries is that the control of the state is very uneven. There is a huge amount of work to be done to conceptualize what goes in there and how it is in equilibrium with the modern states. I talk about different ideas and examples.

- **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.
- **Moscona, Jacob, Nathan Nunn and James A. Robinson (2020)** “Segmentary Lineage Organization and Conflict in Sub-Saharan Africa,” *Econometrica*, 88, 5, 1999-2036.
- **Acemoglu, Daron, Giuseppe De Feo and Giacomo De Luca (2020)** “Weak States: Causes and Consequences of the Sicilian Mafia,”
<https://www.restud.com/paper/weak-states-causes-and-consequences-of-the-sicilian-mafia/>

9 The Ungoverned Colombian Spaces (April 25)

Colombia is a particularly interesting example of a state with large ungoverned spaces. I discuss some papers that have looked at this and my ongoing research program on paramilitary groups.

- **Acemoglu, Daron, James A. Robinson and Rafael Santos (2012)** “The Monopoly of Violence: Evidence from Colombia” *Journal of European Economic Association*, 11(1), 5-44.
- **Bautista, Maria Angélica, Juan Sebastián Galán, James A. Robinson and Ragnar Torvik (2020)** “Socialization and State Formation: The Political Economy of McGuiver,” slides.
- **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.

10 The State 1 (April 27)

I now discuss some theoretical approaches to the “state” and some empirical evidence about how state capacity is (or is not) acquired and what its implications are.

- **Besley, Timothy and Torsten Persson (2009)** “The Origins of State Capacity: Property Rights, Taxation and Politics” *American Economic Review*, 99(4), 1218-44.
- **Acemoglu, Daron, Ali Cheema, Asim I. Khwaja, and James A. Robinson** “Trust in State and Non-State Actors: Evidence from Dispute Resolution in Pakistan,” *Journal of Political Economy*, 128, 8, 3090-3147.
- **Lameke, Aimable Amani, Albert Jolino Malukisa, Raúl Sánchez de la Sierra and Kristof Titeca (2018)** “Corruption (with a Hierarchy)”

11 The State 2 (May 2)

What is the evidence for the importance of state institutions for development? Is state capacity always a good thing?

- **Dell, Melissa, Nathan Lane and Pablo Querubín (2018)** “The Historical State, Local Collective Action and Economic Development in Vietnam”, *Econometrica*, 86(6), pp. 2083-2121.
- **Allen, Robert C., Mattia C. Bertazzini and Leander Heldring (2020)** “The Economic Origins of Government,” <http://www.leanderheldring.com/>
- **Heldring, Leander (2020)** “Bureaucracy as a Tool for Politicians: evidence from Weimar and Nazi Germany,” <http://www.leanderheldring.com/>

12 ‘Deep’ Institutional Variation and Persistence (May 4)

How do different equilibria get established? Often they are deeply rooted in the past. Showing this empirically is a very active and exciting research agenda.

- **Acemoglu, Daron, Johnson, Simon and Robinson, James A. (2001)** “The Colonial Origins of Comparative Development: An Empirical Investigation,” *American Economic Review*, 91, 1369-1401.
- **Acemoglu, Daron, Simon Johnson, James A. Robinson (2005)**, “The Rise of Europe: Atlantic Trade, Institutional Change and Economic Growth”, *American Economic Review*, 95, 546-579.
- **Banerjee, Abhijit and Iyer, Lakshmi (2005)** “History, Institutions and Economic Performance: The Legacy of Colonial Land Tenure Systems in India,” *American Economic Review*, 95, 1190-1213.
- **Alesina, Alberto, Marlon Seror, David Y. Yang, Yang You, Weihong Zeng (2021)** “Persistence Despite Revolutions,” <http://davidyyang.com/>

13 ‘Deep’ Institutional Variation and Persistence: Latin America (May 9)

Beginning with the seminal paper by Engerman and Sokoloff about the divergence of the Americas as a natural experiment a lot of focus has gone into this case.

- **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 Effects of Peru’s Mining Mita,” *Econometrica*, 78(6), 1863-1903.
- **Zimmerman, Seth (2019)**, “Elite Colleges and Upward Mobility to Top Jobs and Top Incomes,” *American Economic Review*, 109(1), 1-47.
- **Molina, Carlos, James A. Robinson and Pablo Selaya (2020)** “The Return of Pachamama,” slides.

14 Thinking about Culture (May 11)

The literature on the political economy of development has tended to sideline discussion of “culture” as a source of variation. But culture likely impacts development directly and indirectly via its impact on institutions. Here I discuss what culture is, distinguishing between “values” and “meaning” and present some canonical models.

- **Acemoglu, Daron and James A. Robinson (2021)**, “Culture, Institutions and Social Equilibria: A Framework”, <https://voices.uchicago.edu/jamesrobinson/2021/05/21/culture-institutions-and-social-equilibria-a-framework/>
- **Akerlof, George A., and Rachel E. Kranton (2000)** “Economics and Identity,” *Quarterly Journal of Economics*, 115, 3, 715–53.
- **Bisin, Alberto and Thierry Verdier (2000)** ““Beyond the Melting Pot”: Cultural Transmission, Marriage, and the Evolution of Ethnic and Religious Traits,” *Quarterly Journal of Economics*, 115, 3, 955–988.
- (*) **Shayo, Moses (2020)** “Social Identity and Economic Policy,” *Annual Review of Economics* , 12, 355-389.

15 Cultural Variation and determinants (May 16)

What sort of cultural variation is there? To what extent can it be influenced by government policy?

- **Henrich, Joseph (2021)** *The WEIRDest People in the World: How the West Became Psychologically Peculiar and Particularly Prosperous*, Picador.
- **Cantoni, Davide, Yuyu Chen, David Y. Yang, Noam Yuchtman, and Y. Jane Zhang (2017)**. “Curriculum and ideology,” *Journal of Political Economy*, 125, 2, 338-392.
- **Fouka, Vicky (2020)**. “Backlash: The Unintended Effects of Language Prohibition in US Schools after World War I,” *Review of Economic Studies*, 87(1), 204-239.

16 Historical Roots of Cultural Differences (May 18)

Culture may or may not be deeply rooted but obviously it is endogenous to many features of the environment. What sorts of factors have shaped it?

- **Voth, Hans-Joachim and Nico Voigtlander (2012)** “Persecution Perpetuated: The Medieval Origins of Antisemitic Violence in Nazi Germany,” *Quarterly Journal of Economics*, 127 (3): 1339-1392.
- **Alberto Alesina, Paola Giuliano, and Nathan Nunn (2013)** “On the Origins of Gender Roles: Women and the Plough,” *Quarterly Journal of Economics*, 128 (2): 469-530.
- **Samuel Bazzi, Martin Fiszbein, Mesay Gebresilasse (2020)**. “Frontier Culture: The Roots and Persistence of “Rugged Individualism” in the United States,” *Econometrica*, 88, 6, 2329-2368.
- **Guerra, José Alberto, Leopoldo Fergusson and James A. Robinson (2022)** “No Sea Sapo (“Don’t be a Toad”): Anti-Social Norms,” slides.

17 The Interaction of Culture and Institutions (May 23)

It seems plausible that just as government policy may sometimes influence culture, culture feeds back onto institutions and policy. I examine some recent evidence and models which try to incorporate these feedbacks.

- **Bisin, Alberto and Thierry Verdier (2021)** “On the Joint Dynamics of Culture and Institutions: Elites and Civil Society,” <https://wp.nyu.edu/albertobisin/working-papers/>
- **Tabellini, Guido (2010)** “Culture and Institutions: Economic Development in the Regions of Europe.” *Journal of European Economic Association*, 8, 677-716.
- **Besley, Timothy and Torsten Persson (2019)** “Democratic Values and Institutions” *AER: Insights*, 1,1, 1-18.

1–2 page research proposal summaries due May 1

May 30 Memorial Day No Lecture

18 Student presentations (May 25, June 1)