

Economics 361

Political economy and economic development

Contact information:

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Office hours: Tuesday, 3-6 PM, Schapiro 327

Teaching assistant: Christoph Lentz, christoph.r.lentz@gmail.com

Class times: Monday, 7:00-9:40 PM

Course description:

This class will seek to understand the body of theory and evidence surrounding the key question of why and how politics affects economic development. In addition, it will place a strong emphasis on evaluating empirical research and examples drawn from throughout the developing world.

Economics 361 is designed to assist students in acquiring the analytical tools needed to analyze the role of political economy and institutions in shaping economic development. This includes both grasping core theoretical concepts in political economy, and understanding the empirical evidence that is available to evaluate these theoretical claims. Students will be encouraged to be critical consumers of empirical research, with an emphasis on the characteristics of a high-quality empirical study, and the advantages and disadvantages of different empirical techniques that can be used in economic research.

Prerequisites:

The prerequisites for the class for undergraduates are Economics 110, introductory microeconomics, and Economics 255, econometrics. Knowledge of material in these courses will be assumed. **If you have not taken these classes, permission must be obtained from the professor in order to enroll.**

Grading and assignments:

Problem sets: 30%

There will be five problem sets; they may include both theoretical and empirical exercises. Stata will be required to complete some problem sets. Given that the problem sets are less frequently assigned, they are quite substantive and should be expected to require more than one week to complete. Late problem sets are not accepted under any circumstances. The lowest problem set grade will be dropped

Policy proposal (optional): 15%

Students have the option to substitute a policy proposal for the last two problem sets. The policy proposal should be a 7-8 page paper that proposes a policy designed to address and ameliorate an important institutional challenge that is relevant in the developing world (e.g., public sector

absenteeism, corruption, low voter participation, low levels of voter knowledge, election manipulation, etc.) The paper should do the following:

- 1) Describe the policy proposal .
- 2) Cite **at least** five published papers in economics that provide evidence about the potential advantages and disadvantages of this proposal, and summarize the evidence available in those papers.
- 3) Propose a research strategy that could be employed to collect more information about whether the proposed policy would be effective.

Policy proposals are due on the same date as problem set 5; late submissions will be docked half a letter grade per day.

If you choose instead to complete the policy proposal, then the average of your three completed problem sets (1-3) will count for 15% of your grade, and no low problem set grade will be dropped.

In class-quizzes: 25%

There will also be five quizzes; the lowest quiz grade will be dropped. The quizzes will be administered in the first ten minutes of lecture and will not be pre-announced; they will test comprehension of the reading. **There will be no make-up quizzes for students who are late to class, or have an unexcused absence on a quiz day.**

Presentation: 15%

Each student will be required to make a short (15 minute presentation) in class providing an outline and critique of a paper from the literature in political economy in developing countries. The paper to be evaluated must be approved by me ahead of time; all presentations **must** include slides. More details about the requirement for the presentation and the criteria for evaluation will be provided in class.

Final exam: 30%

Details about the content of the final will also be provided in class.

Readings:

The readings for the class are primarily academic economics papers, with some reference to political economy textbooks. Required readings for the class are marked with an asterisk; comprehension of these readings will be tested on the quizzes. I may also discuss additional papers that are listed on the syllabus. While you are not required to read these papers prior to the lectures, comprehension of any material I discuss in lecture may be evaluated in problem sets, the final exam, or both. All required readings are included in the coursepack available for sale.

Policy on late submission of written work

Policy proposals and problem sets submitted late will be docked one letter grade for each late day.

Lecture schedule:

Lectures

I. Introduction

Lecture 1, Introduction: Why study political economy and development? Motivation and course overview.

II. Why does political economy matter for economic development

Lectures 2-3, Role of leaders and democratic institutions.

Plus: a refresher on statistical inference.

Reading:

(*) Jones, Benjamin F. and Olken, Benjamin A. (2009) "Hit or Miss? The Effect of Assassinations on Institutions and War." *American Economic Journal: Macroeconomics* 1 (2): 55–87.

(*) Jones, Benjamin F. and Olken, Benjamin A. (2005). "Do Leaders Matter? National Leadership and Growth Since World War II." *Quarterly Journal of Economics* 120 (3): 835-864.

Lectures 4-5, Deep determinants of economic development: Macro evidence.

Plus: Introduction to instrumental variables and fixed effects estimation.

Readings:

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

(*) Nunn, Nathan (2008). "The long-term effects of Africa's slave trades." *The Quarterly Journal of Economics* 123 (1): 139-176.

[Pset #1 Due, Lecture 5.]

Lecture 6-7, Deep determinants of economic development. Micro evidence.

Plus: Introduction to regression discontinuity designs.

Readings:

(*) Acemoglu, Daron, Tarek Hassan and James Robinson (2011). "Social Structure and Development in Russia." *The Quarterly Journal of Economics* 126 (2): 895-946.

(*) Dell, Melissa (2010) "The Persistent Effects of Peru's Mining Mita." *Econometrica* 78:6: 1863–1903.

III. Voting.

Lecture 8-9, Median voter theorem and citizen-candidate model

Readings:

(*) Miller, Grant (2008). "Women's suffrage, political responsiveness and child survival in American history." *Quarterly Journal of Economics* 123 (30): 1287-132

(*) Duflo, Esther and Raghavendra Chaddhoadhyay (2004). "Women as Policy Makers: Evidence From a Randomized Experiment in India." *Econometrica* 72 (5): 1409-1443.

Pande, Rohini (2003). "Can Mandated Political Representation Increase Policy Influence for Disadvantaged Minorities." *American Economic Review* 93 (4): 1132-1151.

(*) Shepsle, *Analyzing Politics (2nd edition)*, pp. 90-99, 110-123.

Lecture 10-11, Voting in practice: Agency models

Readings:

(*) Banerjee, Abhijit, Selvan Kumar, Rohini Pande, and Felix Su (2011). "Do Informed Voters Make Better Choices? Experimental Evidence from Urban India." Working Paper.

(*) Finan, Federico and Ferraz, Claudio (2008). "Exposing Corrupt Politicians: The Effect of Brazil's Publicly Released Audits on Electoral Outcomes." *Quarterly Journal of Economics* 123 (2): 703-745.

Miguel, Edward, Marco Manacorda, and Andrea Vigorito (2009). "Government Transfers and Political Support", forthcoming *American Economic Journal: Applied Economics*.

[Pset #2 Due, Lecture 10.]

Lecture 12-13, Voting in practice: Vote buying

Readings:

(*) Finan, Federico and Laura Schecter (2011). "Vote-Buying and Reciprocity?" *Econometrica* 80 (2): 863-881.

(*) Hsieh, Chang-Tai, Edward Miguel, Daniel Ortega, and Francisco Rodriguez (2011), "The Price of Political Opposition: Evidence from Venezuela's Maisanta." *American Economic Journal: Applied Economics* 3 (2) 196-214.

Nichter, Simeon (2008). "Vote Buying or Turnout Buying? Machine Politics and the Secret Ballot." *American Political Science Review* 102 (1): 19-31.

IV. Collective Action.

Lecture 14-15, Monitoring and collective action

Readings:

Banerjee, Abhijit, Rukmini Banerji, Esther Duflo, Rachel Glennerster and Stuti Khemani (2008). "Pitfalls of Participatory Programs: Evidence from three randomized experiments in education in India." *American Economic Journal: Economic Policy* 2 (1): 1-30.

(*) Björkman, Martina and Svensson, Jakob (2009). "Power to the People: Evidence from a Randomized Experiment of a Citizen Report Card Project in Uganda." *Quarterly Journal of Economics* 124 (2): 735-769.

(*) Olken, Benjamin (2007). "Monitoring Corruption: Evidence from a Field Experiment in Indonesia." *Journal of Political Economy* 115 (2): 200-249

[Pset #3 Due, Lecture 14.]

V. Conflict

Lecture 16-17, Economic shocks, civil conflict and economic growth

Readings:

(*) Dube, Oeindrila and Juan Vargas (2010) "Commodity Price Shocks and Civil Conflict: Evidence from Colombia." Mimeo, NYU.,
https://files.nyu.edu/od9/public/papers/Dube_Vargas_commodities_conflict.pdf

Miguel, Edward, Shanker Satyanath and Ernest Sergenti (2004). "Economic Shocks and Civil Conflict: An Instrumental Variables Approach." *Journal of Political Economy* 112 (4): 725-753.

Beath, Andrew, Fotini Christia, Ruben Enikolopov (2011). "Winning Hearts and Minds: Evidence from a Field Experiment in Afghanistan." MIT Political Science Department, WP # 2011-14.

(*) Miguel, Edward and Gerard Roland (2010). "The Long Run Impact of Bombing Vietnam," *Journal of Development Economics* 96: 1-15.

VI. Corruption.

Lecture 18-19, Is corruption inefficient? How do corrupt officials make decisions?

Readings:

(*) Bertrand, Marianne, Simeon Djankov, Rema Hanna, and Sendhil Mullainathan (2007). "Obtaining a Driver's License in India: An Experimental Approach to Studying Corruption." *Quarterly Journal of Economics* 122 (4): 1639-1676.

Di Tella, Rafael and Ernesto Schargrodsky (2003). "The Role of Wages and Auditing During a Crackdown on Corruption in the City of Buenos Aires." *Journal of Law and Economics* 46 (1): 269-292

(*) Duflo, Esther, Hanna, Rema, and Stephen Ryan (2008). "Monitoring Works: Getting Teachers to Come to School." CEPR Discussion Paper Series #6682.

[Pset #4 Due, Lecture 18.]

Lecture 20-21, Politicians and firms

Fisman, Ray (2001). "Estimating the Value of Political Connections." *American Economic Review* 91(4): 1095-1102.

(*) Khwaja, Asim and Atif Mian (2005). "Do Lenders Favor Politically Connected Firms? Rent Provision in an Emerging Financial Market." *Quarterly Journal of Economics* 121 (4): 1371-1411.

(*) Fisman, Ray, David Fisman, Julia Galef, and Rakesh Khurana (2006). "Estimating the value of connections to Vice-President Cheney." Mimeo, Columbia.

Lectures **22-25**: Student presentations

[Pset #5 or policy proposal due, Lecture 22]

Lecture schedule

1	Feb. 5
2	Feb. 11
3	Feb. 18
4	Feb. 20
5	Feb. 25
6	Feb. 27
7	Mar. 4
8	Mar. 6
9	Mar. 11
10	Mar. 13
11	Mar. 18
12	Mar. 20
13	Apr. 8
14	Apr. 10
15	Apr. 15
16	Apr. 17
17	Apr. 22
18	Apr. 24

19	Apr. 29
20	May 1 st
21	May 6 th
22	May 8th
23	May 13th
24	May 15th
25	Make-up TBD

Note there will be no lecture scheduled on Thursday, February 13. In lieu of lecture, all students will be required to attend a Stata introductory session conducted by the TA. Multiple time slots will be available.