

# Political Economy, Institutions and Development

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This short course is intended as an introduction to new research and the applications of dynamic political economy tools to an in-depth understanding of institutions and key problems of economic development. The emphasis will be on theory, but several recent research articles on empirical aspects of the problem will also be discussed. The lectures will cover the material with \*'s in detail and also discuss the material without \*'s, but in less detail.

## 1 Lecture 1

### 1.1 Does Political Economy Matter?

1. Acemoglu, Daron, *Lecture Notes*, Chapters 1 and 2.
2. \* Acemoglu, Daron, Johnson, Simon and Robinson, James (2006) "Institutions as a Fundamental Cause of Long-Run Growth" in *Handbook of Economic Growth*, Aghion, Philippe and Durlauf, Steven, eds. Amsterdam; North-Holland.
3. \* Acemoglu, Daron (2003) "Why Not a Political Coase Theorem?" *Journal of Comparative Economics*, 31, 620-652.
4. Demsetz, Harold (1967) "Toward a Theory of Property Rights," *American Economic Review*, 57, 61-70.
5. Taylor, M Scott (2011) "Buffalo Hunt: International Trade and the Virtual Extinction of the North American Bison." *American Economic Review*, 101(7), 3162-95.
6. Allen, Robert C. (1982) "The Efficiency and Distributional Consequences of Eighteenth Century Enclosures," *Economic Journal*, 92, 937-953.
7. La Porta, Rafael, Lopez-de-Silanes, Florencio, Shleifer, Andrei, and Vishny, Robert W. (1998) "Law and Finance," *Journal of Political Economy*, 106, 1113-1155.

8. \*Acemoglu, Daron, Johnson, Simon and Robinson, James A. (2001) "The Colonial Origins of Comparative Development: An Empirical Investigation," *American Economic Review*, 91, 1369-1401.
9. \*Acemoglu, Daron, Johnson, Simon and Robinson, James (2002) "Reversal of Fortune: Geography and Institutions in the Making of the Modern World Income Distribution," *Quarterly Journal of Economics*, 107, 1231-1294.
10. \*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.
11. \*Udry, Christopher and Goldstein, Markus (2005) "The Profits of Power: Land Rights and Agricultural Investment in Ghana,"  
<http://www.econ.yale.edu/~cru2/pdf/goldsteinudry.pdf> forthcoming in the *Journal of Political Economy*.
12. 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.
13. Pande, Rohini and Udry, Christopher (2005) "Institutions and Development: A View from Below," to appear in the Proceedings of the 9th World Congress of the Econometric Society, Blundell, Richard, Newey, W., and Persson, Torsten  
[http://www.econ.yale.edu/~rp269/website/papers/institutions\\_draft.pdf](http://www.econ.yale.edu/~rp269/website/papers/institutions_draft.pdf)
14. Persson, Torsten and Tabellini, Guido (2003) *The Economic Effects of Constitutions: What Do the Data Say?* MIT Press, Cambridge.
15. Acemoglu, Daron (2005) "Constitutions, Politics and Economic Growth: Review Essay on Persson and Tabellini's *The Economic Effects of Constitutions*," *Journal of Economic Literature*, XLIII, 1025-1048.
16. Acemoglu, Daron, Davide Cantoni, Simon Johnson and James A Robinson (2011) "The Consequences of Radical Reform: The French Revolution," *American Economic Review* 101(7), pp. 3286-3307.

## 1.2 Economic Institutions under Elite Domination

This lecture presents some tractable models of the determination of economic institutions and policies when a particular group is in power. The potential inefficiencies that arise because of the desire of the group in power to extract rents is contrasted with policy determination in the classical public finance approach.

1. \* Acemoglu, Daron, *Lecture Notes*, Chapters 11 and 14.

2. \* Acemoglu, Daron (2005) “Modelling Inefficient Institutions,” *Advances in Economic Theory World Congress 2006*,  
[http://econ-www.mit.edu/faculty/download\\_pdf.php?id=1214](http://econ-www.mit.edu/faculty/download_pdf.php?id=1214)
3. \* Acemoglu, Daron (2008) *Introduction to Modern Economic Growth*, Chapter 22.
4. Acemoglu, Daron and Robinson, James A. (2006) “Economic Backwardness in Political Perspective,” *American Political Science Review*, 2006 February.
5. Mirrlees, James (1985) “The Theory of Optimum Taxation”, in the *Handbook of Mathematical Economics*, eds. Arrow and Intriligator, Vol.III, North-Holland, 1985
6. Atkinson, Anthony and Stiglitz, Joseph E. (1980) *Lectures on Public Economics*, New York; McGraw-Hill, Chapter 11
7. Fergusson, Leopoldo (2013) “The Political Economy of Rural Property Rights and the Persistence of the Dual Economy” *Journal of Development Economics*, 103, 167-181.

## 2 Lecture 2

### 2.1 Politics and Social Mobility

1. \* Acemoglu, Daron (2008) “Oligarchic versus Democratic Societies,” *Journal of European Economic Association*.
2. Olson, Mancur (1982) *The Rise and Decline of Nations: Economic Growth, Stagflation, and Economic Rigidities*, Yale University Press, New Haven and London.

### 2.2 Labor Coercion

This literature focuses on one type of economic institution under the domination of one group, coercive labor relations, to provide more insights on how different types of inefficiencies can emerge.

1. \* Brenner, Robert (1976) “Agrarian Class-Structure and Economic-Development in Pre-Industrial Europe,” *Past and Present*, 70, 30-75.
2. Aston, T.H. and Philpin, C.H.E. (1987) *The Brenner Debate: Agrarian Class Structure and Economic Development in Pre-Industrial Europe*, Cambridge: Cambridge University Press.
3. \* Acemoglu, Daron and Alexander Wolitzky (2011) “The Economics of Labor Coercion,” *Econometrica*, March 2011, 79(2), pp. 555-600.

4. Chwe, Michael (1990) "Why Were Workers Whipped? Pain in a Principal-Agent Model," *Economic Journal*, 100, 1109-1121.
5. Basu, Kaushik (1986) "One Kind of Power," *Oxford Economic Papers*, 38, 259-282.
6. Barzel, Yoram (1977) "An Economic Analysis of Slavery," *Journal of Law and Economics*, 20, 87-110.
7. Bloom, J. (1998) *The End of the Old Order in Rural Europe*, Princeton: Princeton University Press.
8. Domar, Evsey D. (1970) "The Causes of Slavery or Serfdom: A Hypothesis," *Journal of Economic History*, 30, 18-32.
9. Lagerlöf, N. (2009) "Slavery and Other Property Rights," *Review of Economic Studies*, 76, 319-342.
10. \* Dell, Melissa (2010) "The Persistent Effects of Peru's Mining Mita," *Econometrica*, 78(6), 1863-1903.
11. \* Naidu, Suresh and Noam Yuchtman (2013) "Coercive Contract Enforcement: Law and the Labor Market in 19th Century Industrial Britain," *American Economic Review*, 103(1), 107-144.
12. \* Acemoglu, Daron, Camilo Garcia-Jimeno and James Robinson (2012) "Finding El Dorado: Slavery and Long-run Development in Columbia" *Journal of Comparative Economics*, 40(4), pp. 534-564.

## 3 Lecture 3

### 3.1 Dynamics of Political Power

This lecture provides a basic introduction of voting over a distributive policies in dynamic models, and contrasts myopic versus non-myopic behavior by voters. It will also introduce ideas related to endogenous institutions and laws. We will focus on dynamic, game-theoretic models.

1. \* Acemoglu, Daron, *Lecture Notes*, Chapters 6, 7, 22 and 23.
2. \* Acemoglu, Daron, Egorov, Georgy and Sonin, Konstantin (2008) "Coalition Formation in Nondemocratic Societies." *Review of Economic Studies*, 75: 987-1009.
3. \* Roberts, Kevin (2005) "Dynamic Voting in Clubs," <http://www.nuff.ox.ac.uk/Users/Robertsk/pap>
4. \* Acemoglu, Daron, Georgy Egorov and Konstantin Sonin (2012) "Political Economy in a Changing World," mimeo.

5. Alesina, Alberto and Rodrik, Dani (1994) “Distributive Politics and Economic Growth” *Quarterly Journal of Economics*, 109: 465-490.
6. Hassler Jon, Mora, Sevi, Storlesseten, Kjetil and Zilibotti, Fabrizio (2003) “Survival of the Welfare State,” *American Economic Review*, 93, 87-112.
7. Krusell, Per and Rios-Rull, Jose-Victor (1996). “Vested Interests in a Positive Theory of Stagnation and Growth,” *Review of Economic Studies* 63, 301-329.
8. Benabou, Roland and Ok, Efe, “Social Mobility and the Demand for Redistribution”, *Quarterly Journal of Economics*, May, 2001.
9. Acemoglu, Daron, Egorov, Georgy and Sonin, Konstantin (2014) “Social Mobility and Support for Democracy,” mimeo.
10. Mailath, George J., Morris, Stephen and Postelwaite, Andrew (2001) “Laws and Authority,” <http://www.econ.yale.edu/~sm326/authority.pdf>
11. \* Acemoglu, Daron, Egorov, Georgy and Sonin, Konstantin (2011) “Dynamics and Stability of Constitutions, Coalitions and Clubs,” *American Economic Review*, 102(4), 1446-1476.
12. \* Barbera, Salvador and Jackson, Matthew (2004) “Choosing How to Choose: Self-Stable Majority Rules and Constitutions,” *Quarterly Journal of Economics*, 119, 1011-1048.
13. Dixit, Avinash, Grossman, Gene M., and Gul, Faruk (2000) “The Dynamics of Political Compromise,” *Journal of Political Economy* 108, 531-568.

## 4 Lecture 4

### 4.1 Weak States and State Building

These lectures will discuss the role of the state and how weak states can become a barrier to economic development. They will then turn to see how and under what circumstances states form and why weak states persist.

1. Tilly, Charles (1990) *Coercion, Capital and European States, AD 990-1990*, Blackwell, Cambridge MA.
2. Mann, Michael (1986). *The Sources of Social Power, Volume I*, Cambridge University Press, New York.
3. Evans, Peter (1989) “Predatory, Developmental and Other Apparatuses: A Comparative Political Economy Perspective on the Third World State,” *Sociological Forum*. 4(4):561-587 (December, 1989).

4. \* Gennaioli, Nicola and Ilija Rainer (2007). "The Modern Impact of Pre-Colonial Centralization in Africa", *Journal of Economic Growth*, 12(3), 185-234.
5. \* Michalopoulos, Stelios and Elias Papaioannou (2013). "Pre-Colonial Ethnic Institutions and Contemporary African Development", *Econometrica*, 81(1), 113-152.
6. Bockstette, Valerie, Areendam Chanda and Louis Putterman (2002). "States and Markets: The Advantage of an Early Start", *Journal of Economic Growth*, 7: 347-69.
7. Osafo-Kwaako, Philip and James A. Robinson (2013). "Political Centralization in Pre-Colonial Africa," *Journal of Comparative Economics*, *Journal of Comparative Economics*, 41(1), 534-564.
8. \* Acemoglu, Daron, *Lecture Notes*, Chapter 15.
9. \* Acemoglu, Daron (2005) "Politics and Economics in Weak and Strong States" *Journal of Monetary Economics*, 52, 1199-1226.
10. \* Besley, Timothy and Torsten Persson (2009). "The Origins of State Capacity: Property Rights, Taxation and Politics", *American Economic Review*, 99(4), 1218-44.
11. Waldner, David (1999). *State-Building and Late Development*, Ithaca, Cornell University Press.
12. Tilly, Charles (1985) "War Making and State Making as Organized Crime," in P. Evans, D. Rueschmeyer and T. Skocpol eds. *Bringing the State Back In*, Cambridge University Press.
13. Gennaioli, Nicola and Hans-Joachim Voth (2011). "State Capacity and Military Conflict", unpublished.
14. Herbst, Jeffery I. (2000) *States and Power in Africa: Comparative Lessons in Authority and Control*, Princeton University Press, Princeton NJ.
15. Besley, Timothy and Persson, Torsten (2011) *Pillars of Prosperity: The Political Economics of Development Clusters*, Princeton University Press.
16. \* Acemoglu, Daron, Golosov, Michael and Tsyvinski, Aleh (2010) "Power Fluctuations and the Structure of Taxation" *Journal of Economic Theory*.
17. \* Acemoglu, Daron, Camilo Garcia-Jimeno and James Robinson (2013) "State Capacity and Economic Development: A Network Approach," NBER working paper.
18. \* 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.

19. \* Blair, Robert (2013) “Peacebuilding and State Legitimacy: Evidence from Two Lab in the Field Experiments in Liberia” Yale mimeo.
20. \* Sanchez de la Sierra, Raul (2013) “On the Origins of the State: Stationary Bandits and Taxation in Eastern Congo” mimeo, Colombia.

## 5 Lecture 5

### 5.1 Beliefs, Information and Politics

This lecture will discuss the two-way interaction between between voting and beliefs, shaped by learning.

1. \* Acemoglu, Daron, *Lecture Notes*, Chapter 7.
2. \* Piketty, Thomas, (1995) “Social Mobility and Redistributive Politics,” *Quarterly Journal of Economics*, 110: 551-584.
3. Austen-Smith, David (1991) “Rational Consumers and Irrational Voters,” *Economics and Politics*, 3:73-92.
4. \* Feddersen, Timothy and Wolfgang Pesendorfer (1996) “The Swing Voter’s Curse,” *American Economic Review*, 86: 408-424.
5. Fey, Mark and J. Kim (2002) “The Swing Voter’s Curse: A Comment,” *American Economic Review*, 92: 1264-1268.
6. \* Strulovici, Bruno (2010) “Voting and Experimentation,” *Econometrica*.
7. \* Acemoglu, Daron, Egorov, Georgy and Sonin, Konstantin (2012) “A Political Theory of Populism,” *Quarterly Journal of Economics* 128(2), pp. 771-805.
8. \* Acemoglu, Daron and Alexander Wolitzky (2014) “Cycles of Conflict: An Economic Model” forthcoming *American Economic Review*.