ECON 43260: Political Economy of Development

Prof. Lakshmi Iyer

Spring 2017

GENERAL INFORMATION

Class Time: Tuesdays and Thursdays, 11.00-12.15 pm
Location: Hammes-Mowbray 306
Course website: SAKAI – accessible to registered students. This is where you can access the syllabus, readings, lecture slides etc.

Office: 437 Flanner Hall
Phone: 574-631-8954
Email: liyer@nd.edu
Office Hours: Wednesday 9.00-11.00am; Thursday 2.00-3.00pm. You can also email me to schedule an appointment at a different time. In general, the best way to communicate with me is via email.

COURSE OVERVIEW

The course will focus on why and how political institutions affect economic development. The goal is to understand core theoretical concepts in political economy, discuss the political determinants of economic policy choices and learn how to understand and evaluate empirical evidence. The course will use evidence and examples from both developed and developing countries. Topics will include the determinants of economic development, the role of historical circumstances and political leaders, the role of politics in creating or resolving economic crises and the constraints posed by corruption and political instability.

The course will have two main components. First, we will be reading theoretical and empirical journal articles and some case studies; there is no textbook for this class. We will discuss the conceptual basis for the questions we study, how to model them theoretically and how to test these ideas empirically. We will discuss the methods and findings of the empirical papers, and identify their strengths and weaknesses. Second, you will develop an empirical project to address an original research question. This will involve data collection, descriptive data work, regression analysis and advanced econometric techniques as appropriate.

PRE-REQUISITES

This class is meant as an advanced undergraduate course. As such, I will assume that you are comfortable with intermediate macro or microeconomics and basic calculus. Since a core component of the course is an empirical research paper, you must have taken Econometrics (EC 30331) prior to enrolling in this class. You can use Stata (or any other statistical package) for the empirical analysis.
COURSE REQUIREMENTS

A. Class participation (20%)
Everyone is expected to participate in class discussions. Quality is valued over quantity. Good quality comments will help explain concepts from readings, highlight puzzles or inconsistencies or question the conclusions of the instructor or other classmates. I will cold-call frequently during class sessions; you should view being called upon as an opportunity to improve your grade!

Some of the assessment of your participation will be based on your contributions in the scheduled sessions for presenting progress on research papers (March 2, March 11, April 27 and May 2).

It is difficult to participate effectively if you do not attend and prepare for class. Required readings for each class are indicated on the syllabus, and will be available through Sakai Library Reserves. You must read these before coming to class. In addition to required readings, the syllabus lists several optional readings, which you may read if you are interested in exploring a specific topic further. These are usually available through the library e-journal resources.

B. Problem sets and assignments (25%)
There will be several assignments during the semester; due dates are listed on the class schedule. The assignments are geared to help assess your understanding of the course, prepare you for the midterm exam or guide you in the development of your empirical paper. Your three best assignments will contribute towards your grade.

C. Midterm (25%)
A midterm will be given in class on April 4, 2017. Attendance is mandatory. Only university-approved absences will be allowed (death in the immediate family, sickness resulting in hospitalization). Unexcused absences will earn you a zero on the exam.

D. Research paper (30%)
The primary assignment for the course is an empirical research paper of 10-15 pages. More details will be given in a handout early in the semester. The final paper is due in class on May 2 (hard copy and an electronic version on Sakai). There are several interim deadlines for submission of different parts of the paper (literature review, research question, summary statistics, preliminary tables etc) to enable you to complete the paper on time. You will also receive feedback along the way from me and from your classmates.

There is no final exam for this class; I will use the time assigned for our final exam to hand back your papers.

HONOR CODE
You are expected to adhere to the Academic Code of Honor Pledge: “As a member of the Notre Dame community, I will not participate in or tolerate academic dishonesty.” The full Code and a Student Guide to the Academic code of Honor are available at: http://honorcode.nd.edu. Perhaps the most fundamental sentence is the beginning of section IV-B: The pledge to uphold the Academic Code of Honor includes an understanding that a student’s submitted work, graded or ungraded – examinations, draft copies, papers, homework assignments, extra credit work, etc. - must be his or her own.
In this course, you are welcome to discuss the readings with your classmates before or after class, but all written work (assignments, midterm, final exam) must be done independently.

**RESOURCES**

All slides shown in class will be posted to Sakai Resources. Required readings will be available through Sakai Library Reserves.

**Stata** (statistical software for data analysis) is available in all classrooms and clusters on campus, but can also be purchased for your personal computer through the university’s GradPlan: [http://www.stata.com/order/new/edu/gradplans/student-pricing/](http://www.stata.com/order/new/edu/gradplans/student-pricing/)

If you plan to purchase, please buy the IC version or higher.

If you are not familiar with Stata (or need a refresher), Dr. James Ng, the Economics and Social Science librarian has a great review on his website. [http://libguides.library.nd.edu/friendly.php?s=stata](http://libguides.library.nd.edu/friendly.php?s=stata)

You can also email him at james.ng@nd.edu to set up a time to review Stata.
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<thead>
<tr>
<th>Class</th>
<th>Date</th>
<th>Topic</th>
<th>Readings</th>
<th>Assignments</th>
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<tr>
<td>1</td>
<td>Jan 17</td>
<td>Introduction</td>
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| 2     | Jan 19 | Property Rights  | Acemoglu, Johnson and Robinson (2001); Focus on Tables 2,3,4             | Questions for class discussion: \[
|       |        |                   |                                                                          | 1. What is the primary research question in the paper?\]  \[
|       |        |                   |                                                                          | 2. How do the authors construct the variables of interest? Are there better ways to do this?\]  \[
|       |        |                   |                                                                          | 3. Why do the authors need data on settler mortality?\]  \[
|       |        |                   |                                                                          | 4. What are the key findings of the paper?\]  \[
|       |        |                   | Tools: Regression analysis, instrumental variables                       |                                                                             |
| 3     | Jan 24 | Property Rights  | Banerjee and Iyer (2005); focus on Table 3                              | Questions for class discussion: \[
|       |        |                   |                                                                          | 1. How is the primary research question similar or different from AJR (2001)?\]  \[
|       |        |                   |                                                                          | 2. Are the data and methods similar?\]  \[
|       |        |                   |                                                                          | 3. Are the results similar or different from the cross-country findings of AJR (2001)?\]  \[
|       |        |                   | Tools: Regression analysis                                               |                                                                             |
| 4     | Jan 26 | Colonial Rule    | Acemoglu, Johnson and Robinson, 2003 (Sections 1-3); Iyer, 2010 (Section I-V.C, Tables 1-9) | Questions for class discussion: \[
|       |        |                   |                                                                          | 1. How did Botswana achieve high growth?\]  \[
|       |        |                   |                                                                          | 2. What can other poor countries learn from Botswana’s experience?\]  \[
|       |        |                   |                                                                          | 3. Why does Iyer (2010) look at how and when Indian rulers died?\]  \[
|       |        |                   |                                                                          | 4. Are the results in Iyer (2010) consistent with Botswana’s experience?\]  \[
|       |        |                   | Tools: Case study, instrumental variables                                |                                                                             |
| 5     | Jan 31 | Democracy        | Papaioannou and Siourounis (2008)                                       | Assignment 1 due                                                             |
|       |        |                   | Tools: Difference-in-differences estimation                             |                                                                             |
| 7     | Feb 7  | Institutional Change | Olson (1993); Przeworski (2009): Table 2. \textit{Testing alternative theories} | Questions for class discussion: \[
|       |        |                   |                                                                          | 1. According to Olson, why might autocracies persist? When might autocracies evolve into democracies?\]  \[
|       |        |                   |                                                                          | 2. What does Przeworski’s data suggest about the conditions under which democratization occurs?\]  \[
<p>|       |        |                   | Tools: Testing alternative theories                                      | Assignment 2 due                                                             |</p>
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<th>Topic</th>
<th>Author(s)</th>
<th>Tools</th>
<th>Questions for class discussion</th>
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| 8 Feb  9 | Do Leaders Matter? | Jones and Olken (2005)             | Difference-in-differences estimates | 1. What is the main question Jones and Olken are trying to answer?  
2. Under what assumptions does their empirical strategy identify the effects of leaders (and not other factors)?  
3. Why do you think the effects of leaders differ across democracies and autocracies? |
| 9 Feb  14 | Voter turnout      | Gerber and Green (2000); Gerber, Green and Larimer (2008) | Field experiments                  | 1. Based on the papers assigned, what factors are likely to increase voter turnout? How can such factors be activated without a researcher-driven experiment?  
2. Are the results of the paper likely to generalize to other areas or time periods? Why or why not?  
*Do the Political Predictions Poll (for next class).* |
| 10 Feb  16 | Voters and information | Banerjee et al (2011): sections 1, 3, 4. | Field experiments, interpreting interaction coefficients | 1. Based on the results in the paper, what kinds of information are likely to change voter decisions?  
2. Are the results of the paper likely to generalize to other areas or time periods? Why or why not?  
*Assignment 3 due: Three possible research questions.* |
2. Are his empirical results consistent with the predictions of the Downsian median voter model? |
<p>| 13 Feb  28 | Do Women Leaders Matter? | Chattopadhyay and Duflo (2004) | Formal modeling, natural experiments | <em>Two page literature review on an area of interest due</em> |
| 14 Mar   | NO CLASS. I will be in the classroom during class time to help with obtaining data and computing summary statistics. De Bartolo 331 is also reserved for us on March 3, 11.00-12.15 for the same purpose. |                        |                                                                                                  |</p>
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<th>Date</th>
<th>Action</th>
<th>Reading</th>
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<tr>
<td>Mar 7</td>
<td>In-class discussion of research questions.</td>
<td>Bring draft of one-page research proposal to class</td>
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<td>One-page research proposal is due</td>
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<td>Note: No office hours on Mar 9.</td>
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<td>Mar 16</td>
<td>Spring Break</td>
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<td>Mar 21</td>
<td>Collective action</td>
<td>Miguel &amp; Gugerty (2005), Sections 1-2.</td>
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<td>Mar 23</td>
<td>Ethnic divisions</td>
<td>Miguel &amp; Gugerty (2005), Sections 3-6.</td>
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<td>Summary statistics for research paper are due</td>
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<td>Mar 28</td>
<td>Decentralization</td>
<td>Galiani et al (2008), Sections 1-2; Bardhan &amp; Mookherjee (2000)</td>
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<tr>
<td>Mar 30</td>
<td>Decentralization</td>
<td>Galiani et al (2008), Sections 3-6</td>
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<td>Apr 4</td>
<td>Midterm Exam</td>
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<td>Apr 6</td>
<td>Controlling corruption</td>
<td>Olken (2007)</td>
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<td>Apr 7</td>
<td>I have reserved De Bartolo 331 on April 7 (11.00-12.15) and De Bartolo 228 on April 10 (11.00-12.15) to help you with data analysis and running regressions.</td>
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<td>Apr 11</td>
<td>In-class discussions of results tables</td>
<td>Bring draft of results table to class for peer feedback.</td>
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<td>Apr 13</td>
<td>NO CLASS</td>
<td>Main table(s) of results due</td>
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<td>Apr 18</td>
<td>Controlling corruption</td>
<td>Bjorkman and Svensson (2009)</td>
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<td>Apr 25</td>
<td>Economic shocks and civil war</td>
<td>Dube and Vargas (2013)</td>
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<td>Apr 27</td>
<td>Peer-review of research projects + 3-5 minute paper discussions</td>
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<td>May 2</td>
<td>3-5 minute paper discussions + brief review</td>
<td>Final paper due</td>
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<td>May 9</td>
<td>Final Exam Slot (Hand Back Research Papers)</td>
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**READING LIST**

(* indicates required readings; they will be discussed on the dates listed in the schedule above)

**A. The Role of Institutions**

A1. Institutions and Development


A2. Institutional Change


B. The Role of Political Leaders


C. Incentives and Constraints of Political Leaders

C1. Voters


C2. Interest Groups, Collective Action and Social Capital


C3. Decentralization


D. Failures of Politics

D1. Corruption

Case discussion:


D2. Conflict


