

14.773 Political Economy of Institutions and Development

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The reading list is long, mostly to give you references to build on, if you're interested. The reading package will only contain the double starred (**) articles. Single starred (*) articles will be discussed in the lecture, but they are somewhat less important, so they are not in the reading package. The non-starred articles are for future reference. None of the book references are in the package.

1 Issues and Evidence

1.1 Institutions and Development: General Issues—3 lectures, DA (Feb. 4 and 6, 11)

1.1.1 What Are Institutions? Institutions, Policies, Political Power and Commitment

1. ** North, Douglas C. (1981) *Structure and Change in Economic History*, W.W. Norton & Co., New York.
2. North, Douglass C. (1990) *Institutions, Institutional change, and Economic Performance*, Cambridge University Press, New York.
3. ** North, Douglass C. and Barry R. Weingast (1989) "Constitutions and Commitment: Evolution of Institutions Governing Public Choice in Seventeenth Century England, *Journal of Economic History*, 49, 803-832.
4. Weingast, Barry (1998) "Political Stability and Civil War: Institutions, Commitment and American Democracy," in R.H. Bates et al. eds. *Analytic Narratives*, Princeton University Press, Princeton NJ.
5. * Olson, Mancur (1982) *The Rise and Decline of Nations: Economic Growth, Stagflation, and Economic Rigidities*, Yale University Press, New Haven and London.

6. Grossman, H.I. and M-S. Kim (1995) "Swords or Ploughshares? A Theory of the Security of Claims to Property," *Journal of Political Economy*, 103, 1275-1288.
7. Olson, Mancur (2000) *Power and Prosperity : Outgrowing Communist and Capitalist Dictatorships*, Basic Books, New York.
8. ** Tilly, C. (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.
9. * Tilly, Charles (1990) *Coercion, Capital and European States, AD 990-1990*, Blackwell, Cambridge MA.
10. * Bates, Robert H. (2001) *Prosperity and Violence*, Cambridge; Harvard University Press.
11. * Evans, Peter B. (1995) *Embedded Autonomy: States and Industrial Transformation*, Princeton University Press, Princeton NJ.
12. Herbst, Jeffery I. (2000) *States and Power in Africa: Comparative Lessons in Authority and Control*, Princeton University Press, Princeton NJ.
13. ** Acemoglu, Daron and James Robinson (2002) "Chapter 1: Introduction" in Acemoglu and Robinson *Political Origins of Dictatorship and Democracy*, forthcoming.
14. ** Acemoglu, Daron and James Robinson (2002) "Chapter 6: Democratization" in Acemoglu and Robinson *Political Origins of Dictatorship and Democracy*, forthcoming.

1.1.2 Institutions: Efficiency, Inefficiency and Conflict

1. * Becker, Gary (1983) "A Theory of Competition among Pressure Groups for Political Influence," *Quarterly Journal of Economics*, 98, 371-400.
2. * Wittman, Donald (1989) "Why Democracies Produce Efficient Results," *Journal of Political Economy*, 97, 1395-1426.
3. Wittman, Donald (1995) *The Myth of Democratic Failure: Why Political Institutions are Efficient*, University of Chicago Press, Chicago IL.
4. * Demsetz, Harold (1967) "Toward a Theory of Property Rights" *American Economic Review*, volume 57.
5. * Marx, Karl and Frederich Engels (1872) *Manifesto of the Communist Party* pp. 469-500 in Robert Tucker *The Marks-Engels Reader*, W. W. Norton & Co., New York London.

6. * Therborn, Goran (1977) "The Rule of Capital and the Rise of Democracy," *New Left Review*, 103, 3-41.
7. * Brenner, Robert (1976) "Agrarian Class Structure and Economic Development in Pre-Industrial Europe," *Past and Present*, 70.
8. ** Przeworski, Adam and Michael Wallerstein (1982) "The Structure of Class Conflict in Democratic Society," *American Political Science Review*, 76, 215-236.
9. Buchanan, James M., and Gordon Tullock (1962). *The Calculus of Consent*. Ann Arbor MI: University of Michigan Press.
10. ** Acemoglu, Daron (2002) "Why Not a Political Coast Theorem? Social Conflict, Commitment and Politics" NBER working paper 9377.
11. Olson, Mancur (1982) *The Rise and Decline of Nations: Economic Growth, Stagflation, and Economic Rigidities*, Yale University Press, New Haven and London.
12. Mokyr, Joel (1990). *The Levers of Riches: Technological Creativity and Economic Progress*, Oxford University Press, New York.
13. ** Acemoglu, Daron and James Robinson (2000), "Political Losers As a Barrier to Economic Development" *AEA Papers and Proceedings* vol 90, 126-130.
14. ** Acemoglu, Daron and James Robinson (2002) "Economic Backwardness in Political Perspective" NBER Working Paper 8831.
15. ** North, Douglass C. and Robert P. Thomas (1973) *The Rise of the Western World: A New Economic History*, Cambridge University Press, Cambridge UK, chapters 6-11.
16. * Coatsworth, John H. (1978) "Obstacles to Economic Growth in Nineteenth Century Mexico," *American Historical Review*, 83, 80-100.

1.1.3 Institutions, Culture and Cooperation

1. * Putnam, Robert D. with Robert Leonardi and Raffaella Y. Nanetti (1993) *Making Democracy Work: Civic Traditions in Modern Italy*, Princeton; Princeton University Press.
2. Harrison, Lawrence E. and Samuel P. Huntington eds. *Culture Matters: How Values Shape Human Progress*, New York; Basic Books.
3. * Greif, Avner (1994) "Cultural Beliefs and the Organization of Society," *Journal of Political Economy*, 102.

4. ** Greif, Avner (1994) “Contract Enforceability and Economic Institutions in Early Trade: the Maghribi Traders’ Coalition”, *American Economic Review* v83, n3 (June 1993): 525-48.
5. ** Greif, Avner, Paul Milgrom and Barry Weingast (1994) “Coordination, Commitment and Enforcement: The Case of the Merchant Guild,” *Journal of Political Economy*, 102, 912-950.

1.1.4 Conflict between Politicians and the Society

1. * Andrei Shleifer and Robert Vishny (1992), “Corruption,” *Quarterly Journal of Economics* vol. 108, pp. 599-618.
2. Andrei Shleifer and Robert W. Vishny (1998) *The Grabbing Hand: Government Pathologies and their Cures*, Harvard University Press, Cambridge MA.
3. * Person, Torsten, Gerard Roland and Guido Tabellini (1997) “Separation of Powers and Political Accountability” *Quarterly Journal of Economics*, volume 112, 1163-1202.

1.2 Institutions and Economic Performance. Some macro evidence— 2 lectures, DA and AB (Feb. 13 and 20)

1. ** Knack, Steven and Philip Keefer (1995) “Institutions and Economic Performance: Cross-Country Tests Using Alternative Measures,” *Economics and Politics*, 7, 207-227.
2. * Mauro, Paulo (1995), “Corruption and Growth” *Quarterly Journal of Economics* vol 110, #3, 681-713.
3. ** Acemoglu, Daron, Simon Johnson and James A. Robinson (2001) “The Colonial Origins of Comparative Development: An Empirical Investigation,” *American Economic Review*, volume 91, No. 5, 1369-1401.
4. ** Acemoglu, Daron, Simon Johnson and James Robinson (2002): “Reversal of Fortune: Geography and Institutions in the Making of the Modern World Income Distribution” *Quarterly Journal of Economics*, volume 107, pp. 1231-1294.
5. ** Banerjee, Abhijit and Lakshmi Iyer, (2002), “History, Institutions and Economic Performance: The Legacy of Colonial Land Tenure Systems in India.” mimeo.
6. ** Lakshmi Iyer, (2002), “The Long-term Impact of Colonial Rule: Evidence from India”, mimeo, MIT.

2 Sources of Institutional Failures

2.1 Bureaucracy and Corruption: 4 lectures, AB (Feb. 25 and 27), ED (March 4 and 6)

1. *Paulo Mauro (1995), "Corruption and Growth" *Quarterly Journal of Economics* vol 110, #3, 681-713.
2. Andrei Shleifer and Robert W. Vishny (1998) *The Grabbing Hand: Government Pathologies and their Cures*, Harvard University Press, Cambridge MA.
3. **Abhijit Banerjee (1997) "A Theory of Misgovernance" *Quarterly Journal of Economics* vol 112.
4. Acemoglu, Daron and Thierry Verdier (1998) "Property Rights, Corruption and the Allocation of Talent: A General Equilibrium Approach." *Economic Journal*, September 1998, 108:450, 1381-1403.
5. **Acemoglu, Daron and Thierry Verdier (2000) "The Choice Between Corruption and Market Failures," *American Economic Review*, 90, 194-211.
6. **Banerjee, Abhijit and Rohini Somanathan (2001), "A Simple Model of Voice", *Quarterly Journal of Economics*
7. **Dixit, Avinash, Gene Grossman and Elhanan Helpman (1997) "Common Agency and Coordination: General Theory and Application to Tax Policy", *Journal of Political Economy*
8. **Andrei Shleifer and Robert Vishny (1992), "Corruption," *Quarterly Journal of Economics* vol. 108, pp. 599-618.
9. **Andrei Shleifer and Robert Vishny (1992), "Politicians and Firms," *Quarterly Journal of Economics* vol. 109, pp. 995-1026.
10. ** Shleifer, A. S. Djankov, R. La Porta, and F. Lopez-de-Silanes (2002), "The Regulation of Entry," *Quarterly Journal of Economics*
11. ** Shleifer, A. S. Djankov, R. La Porta, and F. Lopez-de-Silanes (2003, forthcoming in *Quarterly Journal of Economics*) "The practice of Justice"
12. ** Shleifer, A. S. Djankov, J. Botero, R. La Porta, and F. Lopez-de-Silanes (2002) "The regulation of labor"
13. ** Fisman, Ray (2001) "Tax rates and tax evasion: Evidence from Missing imports in China" Raymond Fisman and Shang-Jin Wei NBER Working Paper 8551
14. ** Yang, Dean (2002) "How Easily do Lawbreakers Adapt to Increased Enforcement? Philippine Smugglers' Responses to a Common Customs Reform"

15. ** Fisman, Ray (2001) "Estimating the Value of Political Connections" *American Economic Review* , September 2001 A longer version is on the web:
<http://www.gsb.columbia.edu/faculty/rfisman/Conn2.pdf>
16. ** Ramalho, Rita (2002) "The Effect of an Anti-corruption Campaign: Evidence from the 1992 Presidential Impeachment in Brazil"
17. ** Di Tella, Rafael and Ernesto Schargrodsky (2003) "The Role of Wages and Auditing during a Crackdown on Corruption in the City of Buenos Aires", forthcoming *Journal of Law and Economics*

2.2 Lobbying 1 lecture, DA (March 11)

1. * Peltzman, Sam. 1976. "Toward a More General Theory of Regulation." *Journal of Law and Economics* 19: 211-240.
2. ** Grossman, Gene M., and Elhanan Helpman (1994). "Protection for Sale." *American Economic Review* 84: 833-850
3. Grossman, Gene M., and Elhanan Helpman (1996). "Electoral Competition and Special Interest Politics." *Review of Economic Studies* 63: 265-286.

2.3 Voting and Policy Determination: 2 lectures DA (March 13 and 18)

2.3.1 Basic voting models

1. ** Person, Torsten and Guido Tabellini (2000) *Political Economics: Explaining Economic Policy*, The MIT Press, Cambridge MA, chapters 2, 3 and 6.
2. ** Austen-Smith, David and Jeffrey Banks (1999) *Positive Political Theory: Collective Preference*, University Of Michigan Press, Arbor.
3. ** Acemoglu, Daron and James Robinson (2002) "Chapter 4: An Introduction to Models of Democratic Politics" in Acemoglu and Robinson *Political Origins of Dictatorship and Democracy*, forthcoming.
4. * Roberts, Kevin W.S. 1977. "Voting Over Income Tax Schedules" *Journal of Public Economics* 8: 329-340.
5. * Shepsle, Kenneth A. (1979) "Institutional Arrangements and Equilibria in Multi-dimensional Voting Models," *American Political Science Review*, 23, 27-59.
6. Shepsle, Kenneth A. and Barry R. Weingast (1984) "Uncovered Sets and Sophisticated Voting Outcomes with Implications for Agenda Institutions," *American Political Science Review*, 28, 49-74.

2.3.2 Probabilistic voting models

1. ** Person, Torsten and Guido Tabellini (2000) *Political Economics: Explaining Economic Policy*, The MIT Press, Cambridge MA, chapter 3.
2. ** Lindbeck, Assar, and Jorgen W. Weibull. 1987. "Balanced-Budget Redistribution as the Outcome of Political Competition." *Public Choice* 52: 273-297.
3. Dixit, Avinash, and John Londregan. 1995. "Redistributive Politics and Economic Efficiency." *American Political Science Review* 89: 856-866.
4. Dixit, Avinash, and John Londregan. 1996. "The Determinants of Success of Special Interests in Redistributive Politics." *Journal of Politics* 58: 1132-1155.
5. * Dixit, Avinash and Londregan, John "Ideology, Tactics, and Efficiency in Redistributive Politics" *Quarterly Journal of Economics* v113, n2 (May 1998): 497-52

2.3.3 Dynamic voting

1. ** Hassler John, Sevi Mora, Kjandetil Storlesseten and Fabrizio Zilibotti "Survival of the Welfare State" forthcoming *American Economic Review*

2.4 Do voters know what they want? 1 lecture AB (March 20)

1. **Piketty, Thomas, (1995) "Social Mobility and Redistributive Politics, *Quarterly Journal of Economics*, 110.
2. **Benabou, Roland and Efe Ok, "Social Mobility and the Demand for Redistribution", *Quarterly Journal of Economics*, May, 2001.
3. Austen-Smith, David (1991) "Rational Consumers and Irrational Voters," *Economics and Politics*, 3, 73-92.
4. *Alesina, Alberto and Eliana La Ferrara, "Preference for Redistribution in the Land of Opportunities", mimeo, Harvard, July 2000.

2.5 Do politicians represent voters?: 2 lecture ED (April 1 and 3)

1. ** Alesina, Alberto. 1988. "Credibility and Policy Convergence in a Two-Party System with Rational Voters." *American Economic Review* 78: 796-805.
2. * Alesina, Alberto. 1987. "Macroeconomic Policy in a Two-Party System as a Repeated Game." *Quarterly Journal of Economics* 102: 651-678.
3. ** Besley, Timothy, and Stephen Coate. 1997. "An Economic Model of Representative Democracy." *Quarterly Journal of Economics* 112: 85-114.

4. **Chattopadhyay, Raghavendra and Esther Duflo, “Women as Policy Makers: Evidence from an India-wide Randomized Policy Experiment”, mimeo, 2001.
5. *Pande, Rohini, “Minority Representation and Policy Choices: The Significance of Legislator Identity”, mimeo 2000.
6. **Steve Levitt, “How do Senators Vote? Disentangling the Role of Voter Preferences, Party Affiliation and Senator Ideology”, *American Economic Review*, 86, 3.

2.6 Conflict and Economic Performance: 4 lectures ED (April 8 and 10) and AB (April 15 and April 17)

1. ** Alesina, Alberto and Dani Rodrik (1994) “Distributive Politics and Economic Growth” *Quarterly Journal of Economics*, volume 109, #2, 465-490.
2. Person, Torsten and Guido Tabellini (1994), “Is Inequality Harmful for Growth? Theory and Evidence” *American Economic Review*, volume 84, #3, 600-621.
3. ** Forbes, Kristin (2000) “ A Reassessment of the Relationship Between Inequality and Growth”, *American Economic Review*, 90 (4) 869–887
4. ** Banerjee, Abhijit and Esther Duflo “Inequality and Growth: What Can the Data Say?” mimeo, MIT
5. * Benabou, Roland (2000), “Unequal Societies: Income Distribution and the Social Context” *American Economic Review*, 90, #1
6. ** Miguel, Edward (2003) “Poverty and Witch Killing” mimeo, UC Berkely.
7. * Bates, Robert H. (1981) *Markets and States in Tropical Africa*, University of California Press, Berkeley CA.
8. **Alesina, Alberto, Reza Baqir and William Easterly (1999): “Public Goods and Ethnic Divisions”, *Quarterly-Journal-of-Economics*; 114(4), pages 1243-84.
9. *Easterly, William and Ross Levine (1997): “Africa’s Growth Tragedy: Policies and Ethnic Divisions”, *Quarterly-Journal-of-Economics*; 112(4), pages 1203-50.
10. Putnam, Robert D. (1993): *Making democracy work: civic traditions in modern Italy*, Princeton University Press.
11. **Alesina, Alberto, Reza Baqir and Caroline Hoxby (2000), “Political Jurisdictions in Heterogeneous Communities”, mimeo.
12. *Miguel, Edward, ”Ethnic Diversity and School Funding in Kenya”, mimeo.

13. **Banerjee, Abhijit, Kaivan D. Munshi, Dilip Mookherjee and Debraj Ray (2001) "Inequality, Control Rights, and Rent Seeking: Sugar Cooperatives in Maharashtra," *Journal of Political Economy*, 109.
14. * Meltzer, Allan H. and Scott Richards (1981) "A Rational Theory of the Size of Government" *Journal of Political Economy* volume 89, #5, 914-927.

3 Modeling Institutions

3.1 Basic empirical patterns—1 lecture, DA (April 24)

1. * Perrson, Torsten and Guido Tabellini (2001) "Political Institutions and Policy Outcomes: What Are the Stylized Facts?" Stockholm mimeo.
2. Barro, Robert (1997), *Determinants of economic growth: a cross-country empirical study*, Cambridge, Mass. The MIT Press.
3. ** Barro, Robert (1999) "Determinants of Democracy" *Journal of Political Economy*, volume 107 No. 6, part 2, pp. 158-183.
4. ** Acemoglu, Daron and James Robinson (2002) "Chapter 2: Democracy Around the World and over Time" in Acemoglu and Robinson *Political Origins of Dictatorship and Democracy*, forthcoming.

3.2 The emergence of democratic institutions—2 lectures, DA (April 29 and May 1)

1. * Moore, Barrington (1966) *The Social Origins of Dictatorship and Democracy: Lord and Peasant in the Making of the Modern World*, Beacon Press, Boston MA.
2. ** Acemoglu, Daron and James Robinson (2002) "Chapter 6: Democratization" in Acemoglu and Robinson *Political Origins of Dictatorship and Democracy*, forthcoming.
3. ** Acemoglu, Daron and James A. Robinson (2000) "Why did the West Extend the Franchise? Democracy, Inequality and Growth in Historical Perspective," *Quarterly Journal of Economics*, CXV, 1167-1199.
4. Engerman, Stanley L., Elisa Mariscal and Kenneth L. Sokoloff (1998) "Schooling, Suffrage, and the Persistence of Inequality in the Americas, 1800-1945," Unpublished Paper, Department of Economics, UCLA.
5. Collier, Ruth Berins (1999) *Paths Towards Democracy: The Working Class and Elites in Western Europe and South America*, Cambridge University Press, New York.

6. ** Acemoglu, Daron and James Robinson (2002) “Chapter 7: Repression and Transition to Democracy” in Acemoglu and Robinson *Political Origins of Dictatorship and Democracy*, forthcoming.
7. ** Acemoglu, Daron and James Robinson (2002) “Chapter 8: The Role of the Middle Class” in Acemoglu and Robinson *Political Origins of Dictatorship and Democracy*, forthcoming.

3.3 Coups and democratic consolidation—1 lecture, DA (May 6)

1. ** Acemoglu, Daron and James A. Robinson (2001) “A Theory of Political Transitions,” *American Economic Review*, Vol. 91, pages 938-963.
2. O’Donnell, Guillermo (1973) *Modernization and Bureaucratic Authoritarianism: Studies in South American Politics*, University of California, Institute for International Studies, Berkeley CA.
3. Haggard, Stephan and Robert R. Kaufman (1995) *The Political Economy of Democratic Transitions*, Princeton University Press, Princeton NJ.
4. Gasiorowski, Mark J. (1995) “Economic Crises and Political Regime Change: An Event History Analysis,” *American Political Science Review*, 89, 882-897.
5. Kaufman, Robert R. and Barbara Stallings (1972) “The Political Economy of Latin American Populism,” in Rudiger Dornbusch and Sebastian Edwards eds. *The Macroeconomics of Populism in Latin America*, University of Chicago Press, Chicago IL.
6. Przeworski, Adam, Michael Alvarez, José A. Cheibub and Fernando Limongi (1996) “What Makes Democracy Endure?” *Journal of Democracy*, 7, 39-55.
7. Przeworski, Adam, Michael Alvarez, José A. Cheibub and Fernando Limongi (2000) *Democracy and Development: Political Institutions and material well-being in the world, 1950-1990*, Cambridge University Press, New York NY.
8. Przeworski, Adam and Fernando Limongi (1997) “Modernization: Theory and Facts,” *World Politics*, 49, 155-183.
9. Linz, Juan J. and Alfred Stepan (1996) *Problems of Democratic Transition and Consolidation*, Johns Hopkins University Press, Baltimore MD.

3.4 Political development—1 lecture, DA (May 8)

1. Lipset, Seymour M. (1959) “Some Social Prerequisites for Democracy: Economic Development and Political Legitimacy,” *American Political Science Review*, 53, 69-105.

2. ** Acemoglu, Daron and James Robinson (2002) “Chapter 11: Political Development” in Acemoglu and Robinson *Political Origins of Dictatorship and Democracy*, forthcoming.

3.5 Institutional Origins and Comparative Development—2 lectures, DA (May 13 and May 15)

1. ** Olson, Mancur (1982) *The Rise and Decline of Nations: Economic Growth, Stagflation, and Economic Rigidities*, Yale University Press, New Haven and London.
2. Krusell, Per and Jose-Victor Rios-Rull (1996). “Vested Interests in a Positive Theory of Stagnation and Growth,” *Review of Economic Studies* 63, #2, 301-329.
3. ** Acemoglu, Daron, Simon Johnson and James Robinson (2002): “Reversal of Fortune: Geography and Institutions in the Making of the Modern World Income Distribution” *Quarterly Journal of Economics*, volume 107, pp. 1231-1294.
4. ** Engerman, Stanley L. and Kenneth L. Sokoloff (1997) “Factor Endowments, Institutions, and Differential Paths of Growth among New World Economies,” in S.H. Haber ed. *How Latin America Fell Behind*, Stanford University Press, Stanford CA.
5. ** Acemoglu, Daron, Simon Johnson and James Robinson (2002): “The Rise of Europe: Atlantic Trade, Institutional Change and Economic Growth” NBER Working Paper No. 9378.
6. * Acemoglu, Daron, Simon Johnson and James A. Robinson (2001b) “An African Success: Botswana,” forthcoming in Dani Rodrik ed. *Analytical Development Narratives*, Princeton University Press.
7. Beard, C.A. (1935) *An Economic Interpretation of the Constitution of the United States*, Macmillan, New York.
8. Boix, Carles (1999) “Setting the Rules of the Game: The Choice of Electoral Systems in Advanced Democracies,” *American Political Science Review*, 93, 609-624.
9. Leff, Nathaniel (1972) “Economic Retardation in Nineteenth Century Brazil,” *Economic History Review*, 25, 489-507.
10. Haggard, Stephan (1990) *Pathways from the Periphery: The Politics of Growth in the Newly Industrializing Countries*, Cornell University Press, Ithaca NY.