The Political Economy of Development
ECON35570/PPHA41120/PLSC46600

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Course Information

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Lecture  Tuesday, Thursday 9:30-10:50AM, Keller 2112

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. Other Ph.D. students are welcome but will benefit from some experience in game theory and causal inference. MACRM students are welcome. other Master’s students are not eligible and should take one of the Harris MA classes taught by the professors.

Auditing  Ph.D. auditors are welcome, space pending. First year Ph.D. students should not audit this course, but rather should take for credit.

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 the material with *’s in detail and also discuss the material without *’s, but in less detail. There is a “book of the day” for each reading which we will talk about 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, we’ll 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.

First half: Jim Robinson
One main argument is going to be that societies are organized in very different ways with very different consequences for prosperity. We 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, though political institutions, such as how collective decision are made, all the way to social institutions like kinship relationships. This is a much broader agenda that 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.

Second half: Chris Blattman

My goal in the second half of the course is to illustrate what I think are some of the newer and most exciting directions in the political economy of development.

We will start with a look at a classic subject: ethnic politics and clientelism, then informal institutions more generally. The economics literature has tended to focus on formal institutions rather than informal institutions such as norms. We will talk about what these norms are, why they are important, and how malleable they are.

On the subject of violence and conflict, we will start with the major game theoretic theories of conflict and move to more behavioral and non-standard explanations. Like voting, violent conflict is one of the social phenomena where standard approaches only seem to get you so far, and a major frontier of research is whether or not more non-standard theories can close the gap or not.

We will then move on to related frontiers: the industrial organization of violence, international crime, and gangs. Then studies of international interventions, including aid and military actions.
Grading

**Weekly 1-page comments**

30% of the course grade will be based on 8 weekly comments submitted throughout the quarter. No comment is due the first week or the last week (during presentations).

The comment should be submitted either the Monday or Wednesday evening before the relevant class.

Your comments should be roughly one-page long, and be related to the theme of one of the classes of the week. It should address one or multiple of the following:

- An original question and research idea related to the themes or readings of the week
- Critiques of the required readings, including an idea about how to do it better or differently

The idea is for this to be less like a referee report or critical evaluation of the required readings, and more of a constructive opportunity to think about questions and how to push the literature forward.

That said, if you find yourself stuck for new questions, you can certainly dwell on some of the problems you see with the required or recommended readings. Just be sure to think about what better could be done.

Your TA will grade these with a check plus, check, or check minus (or zero in the event nothing is submitted) and the professors will sometimes review a selection before class.

**Research proposal and presentation**

70% of the course grade will be based on a full research proposal which every student has to write and present.

The research proposal should be related to the political economy of development. While we are 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. It should also be in the spirit of "political economy" in that there is a clear political angle to the research.

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 us a recent proposal or presentation of the work at the beginning of the semester to be able to illustrate progression over the 10 weeks of the class.

A 1–2 page proposal is due May 9.

The last two classes of the quarter (June 4 and 6) will be devoted to student presentations of their proposal. We 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?

We understand that auditors may want to present their research proposals as well. Unfortunately, there is unlikely to be time for all to present and we are likely to focus on students taking the class for credit.

Weekly schedule — Robinson half (9 classes)

1 A Crash Course in Political Economy (April 2)

I start with a primer on the political economy of development emphasizing some ideas about why politics leads to inefficient outcomes and what creates variation in political equilibria.


2 Political Institutions

2.1 The State: Origins (April 4)

Some ideas and evidence about what creates variation in the nature and effectiveness of states.


2.2 The State: Consequences (April 9)


2.3 The Regime #1: Dictatorship (April 11)

Models of dictatorship and their predictions about institutions and development.


2.4 The Regime #2: Democracy (April 16)

The contrast with democracy.


2.5 The Architecture of Democracy (April 18)

But there are lots of types of democracies organized in many different ways...


3 Social Institutions (April 23)

So far we have considered institutions in conventional ways, economic institutions (property rights), political institutions (the state, the regime), but there are many more institutions than this in society...


4 ‘Deep’ Institutional Variation (April 25)

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


5 Interactions (April 30)

So far I have been discussing economic, political and social institutions and emphasizing studies which focus on the origins or consequences of one. But these no doubt interact. How and with what consequences? I think this is another very exciting area of research.

Weekly schedule – Blattman half (9 classes)

This is a preliminary syllabus. Readings (including required readings) will be finalized closer to the start of this half of the course.

(**) means required and we will discuss in detail in class. Please arrive having read the full paper. (*) means we will discuss in some detail in class and you should read the introduction at minimum.

6 Social identity, preferences, and engineering

6.1 Ethnic identification: Causes and consequences (May 2)


6.2 Social identity & preferences (May 7)


• Athey, Susan and Calvano, Emilio and Jha, Saumitra, A Theory of Community Formation and Social Hierarchy (August 15, 2016). Stanford University Graduate School of Business Research Paper No. 16-41.


6.3 Social engineering (May 9)


One-page proposal for final project due May 12

7 Violence and conflict (May 14, 16 and 21)

7.1 Rationalist explanations for group conflict (May 14)


7.2  “Behavioral” theories of violence (May 16)


7.3 Frontiers of violence research (May 21)


8 Gangs and organized crime (May 23 & 28)

• (*) Blattman, Christopher, Gustavo Duncan, Benjamin Lessing, Santiago Tobon. 2019. Gangs of Medellin.

• (*) Sanchez de la Sierra, Raul & Kristof Titeca. 2019. Hierarchical corruption.


• Farrell, Henry. 2015. “Dark Leviathan: The Silk Road Might Have Started as a Libertarian Experiment, but It Was Doomed to End as a Fiefdom Run by Pirate Kings.” Aeon, February.

9 Social mobilization and protest (May 30)


10 Student presentations (June 4, 6)