

POLITICAL SCIENCE 440B
POLITICAL ECONOMY OF DEVELOPMENT

Winter Quarter, 2013-14
Thursdays, 2:15-5:05

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Course Description

This seminar provides an introduction to the study of political economy. The emphasis of the course is on scientific discovery: what do we know about the interaction of political and economic factors in the real world, and how we know it? We focus in particular on the logical consistency of claims and the quality of the evidence that underpins them.

Requirements

Students are expected to complete the required readings each week and to contribute to the seminar discussion. There are four written assignments that will be graded. Each student is required to write three short papers (3-4 pages) presenting a critical evaluation of at least one of the papers covered in *one* of the weeks falling between weeks 2-4 (Paper 1), 5-7 (Paper 2) and 8-10 (Paper 3). These papers are to be disseminated to the seminar and serve as the basis for discussion. They must be submitted prior to the discussion of the material. The first paper is due no later than on January 29 by 5:00 pm. The second paper is due no later than February 19 by 5:00 pm. The third paper is due no later than March 12 by 5:00 pm. In addition, students are required to write a 7-10 research proposal that identifies an empirical or theoretical puzzle that has not been adequately addressed in the extant literature and that explores an approach to solving it. The final paper is due on March 23 at 5 pm. No late work will be accepted except by prior written agreement.

All papers should be submitted to me as attachments to email and sent to the following address: stephenhaber@sbcglobal.net. I will then send you an email acknowledging that I have received, opened, and printed your attachment. If I cannot open your attachment, or if your attachment does not contain a readable paper, I will consider the paper not to have been submitted. All of the short papers should also be circulated to the other students in the course at the same time you send them to me. We will create an email distribution list the first week of the course.

Evaluation:

Papers, 30 percent; Research proposal, 30 percent; Class participation, 40 percent.

Students with Disabilities:

Students who may need an academic accommodation based on the impact of a disability must initiate the request with the Office of Accessible Education (OAE). Professional staff will evaluate the request with required documentation, recommend reasonable accommodations, and prepare an Accommodation Letter for faculty dated in the current quarter in which the request is being made. Students should contact the OAE as soon as possible since timely notice is needed to coordinate accommodations. The OAE is located at 563 Salvatierra Walk; phone: 723-1066; web site <http://studentaffairs.stanford.edu/oaec>."

Seminar Schedule:**January 9: Overview of the course****January 16: Institutions, Politics, and Origins of Underdevelopment**

Stanley Engerman and Kenneth Sokoloff. 2002. "Factor Endowments, Inequality, and Paths of Development Among New World Economies." NBER Working Paper 9259.

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

Edward Glaeser, Rafael La Porta, Francisco Lopez de Silanes, and Andrei Shleifer. 2004. "Do Institutions Cause Growth?" *Journal of Economic Growth* 9: 271-303.

David Albouy. 2012. "The Colonial Origins of Comparative Development: An Investigation of the Settler Mortality Data." *American Economic Review* 102: 3059-76.
Available at: <http://www-personal.umich.edu/~albouy/AJRreinvestigation/AJRrev.pdf>

January 23: The Long Term Effects of Inequality

Abhijit Banerjee and Lakshmi Iyer. 2005. "History, Institutions and Economic Performance: the Legacy of Colonial Land Tenure Systems in India." *American Economic Review* 95: 1190-1213.

Nathan Nunn. 2008. "The Long Term Effects of Africa's Slave Trades," *Quarterly Journal of Economics* 123: 139-76.

Melissa Dell. 2010. "The Persistent Effects of Peru's Mining Mita." *Econometrica* 78 (6): 1863–1903. (electronic version available on her website)

January 30: Drawing Inferences on the Basis of Time, or Why You Can't Study Political Economy without Taking History Seriously

David Freedman 2008. "On Types of Scientific Enquiry: The Role of Qualitative Reasoning." In Janet M. Box-Steffensmeier, Henry E. Brady, and David Collier eds., *The Oxford Handbook of Political Methodology*. (New York, Oxford University Press), pp. 300-318.

Kenneth Scheve and David Stasavage. 2012. "Democracy, War, and Wealth: Lessons from Two Centuries of Inheritance Taxation." *American Political Science Review* 86: 82-102.

Stephen Haber, Noel Maurer, and Armando Razo. 2003. "When the Law Does Not Matter: The Rise and Decline of the Mexican Oil Industry." *The Journal of Economic History* 63: 1-31.

February 6: Is there a Resource Curse?

Michael Ross. 2001. "Does Oil Hinder Democracy?" *World Politics* 53: 235-61.

Sachs, Jeffrey D. and Andrew M. Warner (1995). "Natural Resource Abundance and Economic Growth." National Bureau of Economic Research Working Paper 5398.

Wright, Gavin and Jessie Czelusta. 2004. "Why Economies Slow: The Myth of the Resource Curse," *Challenge* 47: 6-38.

Stephen Haber and Victor Menaldo. 2011. "Do Natural Resources Fuel Authoritarianism? A Reappraisal of the Resource Curse." *American Political Science Review* 105:1.

Jørgen Juel Andersen and Michael Ross. 2014. "The Big Oil Change: A Closer Look at the Haber-Menaldo Analysis." *Comparative Political Studies*. Available at: <http://www.sscnet.ucla.edu/polisci/faculty/ross/publications.html>

February 13: The Problem of State Capture

George Stigler. 1971. "The Theory of Economic Regulation." *Bell Journal of Economics and Management Science* 2: 3-21.

William Mitchell and Michael Munger. 1991. "Economic Models of Interest Groups: An Introductory Survey." *American Journal of Political Science* 35: 512-546.

Ernesto Dal Bó, Pedro Dal Bó, and Jason Snyder. 2009. "Political Dynasties." *The Review of Economic Studies* 76: 115-42.

Diego Puga and Daniel Trefler. "International Trade and Institutional Change: Medieval Venice's Response to Globalization." NBER Working Paper 18288.

February 20: The Economic Value of Political Connections

Raymond Fisman. 2001. "Estimating the Value of Political Connections." *American Economic Review* 91: 1095-1102.

Mara Faccio. 2006. "Politically Connected Firms." *American Economic Review* 96: 369-86.

Asim Ijaz Khwaja and Atif Mian. 2005. "Do Lenders Favor Politically Connected Firms: Rent Provision in an Emerging Financial Market." *Quarterly Journal of Economics* 120: 1371-1411.

Marcus Goldstein and Chris Udry. 2008. "The Profits of Power: Land Rights and Agricultural Investment in Ghana." *Journal of Political Economy*, 116: 981-1022.

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

February 27: Political Institutions and Public Finance

North, Douglass C. and Barry R. Weingast. 1989. "Constitutions and Commitment: the Evolution of Institutions Governing Public Choice in Seventeenth-century England." *The Journal of Economic History*, 49(4): 803-32.

David Stasavage. 2002. "Credible Commitment in Early Modern Europe: North and Weingast Revisited." *Journal of Law, Economics, and Organization* 18(1), pp.155-86.
<http://politics.as.nyu.edu/docs/IO/5395/JLEO2002.pdf>

David Stasavage. 2007. "Partisan Politics and Public Debt: The Importance of the Whig Supremacy for Britain's Financial Revolution" *European Review of Economic History*, vol.11, pp.123-153.

Charles W. Calomiris and Stephen Haber. Forthcoming. *Fragile by Design: Banking Crises, Scarce Credit, and Political Bargains*, "Chapter 4, Privileges With Burdens: War, Empire, and the Monopoly Structure of English Banking." (I will send you a PDF).

March 6: The Political Economy of Taxation

Kenneth L. Sokoloff and Eric Zolt, 2007. "Inequality and the Evolution of Institutions of Taxation: Evidence from the Economic History of the Americas." In Sebastian Edwards, Gerardo Esquivel, and Graciela Márquez, editors, *The Decline of Latin American Economies: Growth, Institutions, and Crises*. University of Chicago Press.
Available at: <http://www.nber.org/chapters/c10654.pdf>

M. H. Best. 1976. "Political Power and Tax Revenues in Central America," *Journal of Development Economics* 3.

Sven Steinmo. 1989. "Political Institutions and Tax Policy in the United States, Sweden, and Britain." *World Politics* 41: 500-535.

Jeffrey Timmons. 2005. "The Fiscal Contract: States, Taxes and Public Services." *World Politics* 57 (4). http://muse.jhu.edu/journals/world_politics/v057/57.4timmons.html

March 13: The Political Economy of Financial Development

Rafael La Porta; Florencio Lopez-de-Silanes; Andrei Shleifer; Robert W. Vishny. 1998. "Law and Finance." *The Journal of Political Economy* 106 (6): 1113-1155.

Marco Pagano and Paolo Volpin. "The Political Economy of Corporate Governance," *American Economic Review* Vol 95:4, p. 1005-1030.

Raghuram Rajan and Luigi Zingales. 2003. "The Great Reversals: The Politics of Financial Development in the Twentieth Century." *Journal of Financial Economics* 69(1): 5-50.
<http://gsbwww.chicagogsb.edu/fac/luigi.zingales/research/theories.htm>

Luigi Guiso, Paola Sapienza, and Luigi Zingales. 2004. "Does Local Financial Development Matter?" *Quarterly Journal of Economics*, 119 (3): 929-969.

Marc Quintyn and Geneviève Verdier. 2010. "Mother, Can I Trust the Government?" Sustained Financial Deepening - A Political Institutions View." IMF Working Paper.

March 23: Final Paper Due.