

# The Political Underpinnings of Prosperity and Poverty

Universidad de los Andes  
July 6-July 17, 2020

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**Preliminary Program: Additional Readings May be Added**

## Course Description

The vast differences in economic development in the world are most likely caused by differences in institutions that create very different patterns of incentives and opportunities. The Chinese save and invest like mad, while in Congo there are no roads. This course asks: why? We take the view that institutions are collective choices and therefore the outcome of political processes. Thus the study of comparative economic development reduces to a series of questions about comparative politics; why do different countries make such different choices?; how do their political institutions influence those choices?; how is power distributed and how is it constrained or directed in the interests of society? The course both introduces the puzzles, some basic theoretical models which can help us think about these questions and the relevant social science evidence, though there are many things we don't really understand (which makes it a very good course for your people!)

## Evaluation

The grade for the course will be determined by a take-home examination over the final weekend of the course (July 17-20) to be handed in on Tuesday, July 21. The exam will consist of a combination of problems where students need to show their understanding of the models covered in class as well as questions related to the literature and broader themes of the course. Students will have at least two days to solve the exam.

## Course Schedule

### Lecture 1 (July 6 – Robinson) Institutions and Long-Run Development

This lecture looks at some fundamental approaches to the question of what types of institutions generate economic development. Political economy has been dominated by the views of Locke (though Confucius had a different perspective). Why was it that some parts of the world managed to adopt the “Locke program” while others, like Africa, did not?

#### Readings:

**Locke, John (1689)**, *Second Treatise on Government*, Selections.

**Confucius (2003)**, *Analects*, Selections.

**Acemoglu, Daron, Simon Johnson, James A. Robinson (2005)**, “The Rise of Europe: Atlantic Trade, Institutional Change and Economic Growth”, *American Economic Review*, 95, 546-579.

**Acemoglu, Daron, Simon Johnson, James A. Robinson (2001)**, “The Colonial Origins of Comparative Development: An Empirical Investigation”, *American Economic Review*, 91, 1369-1401.

**Nunn, Nathan (2008)**, “The Long Term Effects of Africa’s Slave Trades”, *Quarterly Journal of Economics*, 123 (1): 139–176.

**Nunn, Nathan and Leonard Wantchekon (2011)**, “The Slave Trade and the Origins of Mistrust in Africa”, *American Economic Review*, 101 (7): 3221-3252.

### Lecture 2 (July 7 – Robinson) The Political Economy of Institutions

Locke did not advance a “positive” political economy theory of when his program would be implemented (and nor did Confucius!). Implicitly he was taking as given some set of circumstances that do not apply in the rest of the world. We got some hints about that in Lecture 1. Now we develop some basic theoretical ideas about political economy which can help us understand this. What do the models tell us about the institutional equilibrium?

#### Readings:

**Bates, Robert H. (1981)**, *Markets and States in Tropical Africa*, University of California Press. Chapters 1, 5, 6 and 7.

**Bates, Robert H. (1997)**, *Open Economy Politics*, Princeton University Press, Chapter 3 “Colombia’s Entry”

**Kay, Cristbal (2011)**, *Latin American Theories of Development and Underdevelopment*, Chapter 5.

**Pascali, Luigi (2017)**, “The Wind of Change: Maritime Technology, Trade and Economic Development”, *American Economic Review*, 107(9), pp. 2821-54.

**Williamson, John (1989)**, “What Washington means by Policy Reform”, <https://piie.com/commentary/speeches-papers/what-washington-means-policy-reform>

### Lecture 3 (July 8 – Querubín): Introduction to political economy theory: institutions and collective choices

In this lecture we develop some of the analytical foundations that help us think about the political economy of institutions in a deeper way.

#### Readings:

**Acemoglu, Daron, Simon Johnson, and James Robinson (2005).** *Institutions as a Fundamental Cause of Long Run Growth*. In Philippe Aghion and Steven Durlauf, editors, *Handbook of Economic Growth*, Chapter 6.

**Fergusson, Leopoldo and Pablo Querubín (2019),** *Economía Política de la Política Económica*, Chapters 2-3. Bogotá: Ediciones Uniandes.

### Lecture 4 (July 9 – Querubín): Theories of Democratization

In this lecture we will use the basic model of redistributive conflict presented in the previous lecture to understand when societies democratize and when democracy consolidates.

#### Readings:

**Acemoglu, Daron and James A. Robinson (2006)** *Economic Origins of Dictatorship and Democracy*, Chapters 4-6. Cambridge University Press, New York.

### Lecture 5 (July 10 – Querubín): The distribution of power in democracy

The basic models of democracy we saw in the last lectures develop a very simple notion of who exercised power in democracy or what forces mold equilibrium policies. In this lecture we examine a much richer set of ideas: we examine captured and dysfunctional democracy, lobbying and the use of violence to sway elections.

#### Readings:

**Robinson, James A., and Daron Acemoglu (2006).** “De Facto Political Power and Institutional Persistence.” *American Economic Review*, 96(2): 326-330.

**King, Gary, Jennifer Pan, and Margaret E Roberts (2013),** “How Censorship in China Allows Government Criticism but Silences Collective Expression.” *American Political Science Review*, 107(2), 1–18.

**Fergusson, Leopoldo, Pablo Querubín, Nelson Ruiz and Juan F. Vargas (2017).** “The Real Winner’s Curse”, Documento CEDE, 2017-5, <https://ideas.repec.org/p/col/000089/015279.html>

**McMillan, John and Pablo Zoido (2004).** “How to Subvert A Democracy: Montesinos in Peru”, *Journal of Economic Perspectives*, 18(4): 69-92.

**Cruz, Cesi, Julien Labonne and Pablo Querubin (2017)**, “Politician Family Networks and Electoral Outcomes: Evidence from the Philippines”, *American Economic Review*, 107(10), pp. 3006-3037.

**Ferraz, Claudio, Fred Finan and Monica Martinez-Bravo (2020)**, “Political Power, Elite Control, and Long-Run Development: Evidence from Brazil”, Unpublished Manuscript, in [http://ibread.org/bread/system/files/bread\\_wpapers/578.pdf](http://ibread.org/bread/system/files/bread_wpapers/578.pdf).

## **Lecture 6 (July 13 – Fergusson): Corruption and Fraud and how to stop them**

In a democracy politicians are supposed to be accountable to the electorate. Yet accountability often fails, one of the main signs of which is corruption. In this lecture we examine evidence on the nature of corruption and discuss some strategies for eliminating it.

### **Readings:**

**Banerjee, Abhijit (1997)**, “A Theory of Misgovernance”, *Quarterly Journal of Economics*, Vol. 112, No. 4, pp. 1289-1332.

**Cruz, Cesi and Philip Keefer and Julien Labonne (2016)** “Buying Informed Voters: New Effects of Information on Voters and Candidates” Unpublished Manuscript, in [https://julienlabonne.files.wordpress.com/2018/05/ppcrv\\_052018\\_web.pdf](https://julienlabonne.files.wordpress.com/2018/05/ppcrv_052018_web.pdf)

**Ferraz, Claudio and Frederico Finan (2008)**. “Exposing Corrupt Politicians: The Effects of Brazil’s Publicly Released Audits and Electoral Outcomes”, *Quarterly Journal of Economics*, 123(2): 703-745.

**Ferraz, Claudio and Frederico Finan (2011)**. “Electoral Accountability and Corruption: Evidence from the Audits of Local Governments”, *American Economic Review*, 101(4): 1274-1311.

**Fergusson, Leopoldo & Juan F. Vargas & Mauricio A. Vela, 2013**. “Sunlight Disinfects? Free Media in Weak Democracies,” *Documentos Cede 2013-14*, Universidad de los Andes-Cede.

**Fergusson, Leopoldo & Arturo Harker & Carlos A. Molina, & Juan C. Yamín 2019**. “Do ghosts exist? Clientelistic networks and corruption in public education”, Unpublished, <http://bit.ly/2u1kZbM>

## **Lecture 7 (July 14 – Fergusson) State Weakness and State Building**

Prosperous countries typically have capable states that can provide public goods to broad cross sections of the population. However, strengthening state capabilities is not easy and bureaucracies often function poorly, with real consequences. Why are states weak and what can you do about it?

### **Readings:**

**Acemoglu, D., Fergusson, L., Robinson, J. A., Romero, D., & Vargas, J. F. (in press)**. The perils of high-powered incentives: Evidence from Colombia’s false positives. *American Economic Journal: Economic Policy*.

**Akhtari, M., Moreira, D., and Trucco, L. (2018).** Political Turnover, Bureaucratic Turnover, and the Quality of Public Services. Unpublished Paper, 184.

**Colonnelli, E., Prem, M., and Tesso, E. (2018).** Patronage in the Allocation of Public Sector Jobs. Unpublished Paper. <http://doi.org/10.2139/ssrn.2942495>

**Fergusson, L. (2019).** Who wants violence? The political economy of conflict and state building in Colombia. *Cuadernos de Economía*, 38 (78), 671–700.

**Fergusson, Leopoldo, James A. Robinson, Ragnar Torvik and Juan F. Vargas (2016).** “The Need for Enemies: Theory and Evidence from Colombia”, *Economic Journal*, 126(593): 1018-1054

**Fergusson, L., Molina, C. A., & Robinson, J. A. (2020).** The weak state trap. NBER Working Paper No. 26848 .

**Ornaghi, Arianna (2019).** “Civil Service Reforms: Evidence from U.S. Police Departments”, [https://websitearianna.s3.eu-west-2.amazonaws.com/190702\\_ornaghi\\_civil\\_service\\_reforms.pdf](https://websitearianna.s3.eu-west-2.amazonaws.com/190702_ornaghi_civil_service_reforms.pdf)

**Xu, G. (2018).** The Costs of Patronage: Evidence from the British Empire. *American Economic Review*, 150.

## Lecture 8 (July 15 – Fergusson) Culture and Social Norms

In this lecture we move beyond formal political institutions to understand the role of *social norms* and their potential impact on the organization of society, its economic and political development. What are social norms? How do they emerge and change? How do they influence key outcomes like economic prosperity and political conflict in a society?

### Readings:

**Bicchieri, C., Lindemans, J. W., & Jiang, T. (2014).** A structured approach to a diagnostic of collective practices. *Frontiers in psychology*, 5, 1418. (This article contains the essence of what we will discuss in class, for a fuller discussion, those interested can see Bicchieri, Cristina (2016), *Norms in the Wild, How to Diagnose, Measure, and Change Social Norms*, Oxford University Press.)

**Bursztny, Leonardo, Alessandra L. Gonzalez, and David Yanagizawa-Drott.** Misperceived social norms: Female labor force participation in Saudi Arabia. No. w24736. National Bureau of Economic Research, 2018.

**Bursztny, Leonardo, Thomas Fujiwara and Amanda Pallais, 2017** ‘Acting Wife’: Marriage Market Incentives and Labor Market Investments. *American Economic Review*, vol 107(11), pages 3288-3319

**Cantoni, Davide (2015).** The Economic Effects Of The Protestant Reformation: Testing The Weber Hypothesis In The German Lands. *Journal of the European Economic Association*, European Economic Association, vol. 13(4), pages 561-598, August.

**Durante, Ruben and Guiso, Luigi and Gulino, Giorgio, (2020)**, Asocial Capital: Civic Culture and Social Distancing During Covid-19. CEPR Discussion Paper No. DP14820. Available at SSRN: <https://ssrn.com/abstract=3615583>

## Lecture 9 (July 16 – Robinson) The Latin American Context

Let's now go back to the historical roots. We talk about the traditional literature on the nature of the "Latin American equilibrium" and the politics, economics and sociology of the failure of the "Locke program" in Latin America and Colombia.

### Readings:

**Engerman Stanley L. and Kenneth L. Sokoloff (1997)**, "Factor Endowments, Institutions and Differential Paths of Growth among New World Economies," in Stephen H. Haber ed. *How Latin America Fell Behind*, Stanford University Press, Stanford CA.

**Dell, Melissa (2010)**, "The Persistent Effects of Peru's Mining Mita" *Econometrica*, 78, no. 6, 1863-1903.

**García-Jimeno, Camilo and James A. Robinson (2011)**, "The Myth of the Frontier" in Dora L. Costa and Naomi R. Lamoreaux, eds. *Understanding Long-Run Economic Growth*, Chicago: University of Chicago Press.

**Bourdieu, Pierre (1984)**, *Distinction: A Social Critique of the Judgement of Taste*, Routledge. Selections.

**Acemoglu, Daron (2014)**, "Values, Obedience and the Labor Market Equilibrium: A Social-Economic Model"

**Fernandez, Raquel, Nezih Guner and John Knowles, (2005)**, "Love and Money: A Theoretical and Empirical Analysis of Household Sorting and Inequality," *Quarterly Journal of Economics*, 120 (1), 273-344.

## Lecture 10 (July 17 – Robinson) Sociological forces in Latin American Underdevelopment

### Readings:

**Zimmerman, Seth (2019)**, "Elite Colleges and Upward Mobility to Top Jobs and Top Incomes," *American Economic Review*, 109(1), 1-47.

**Auyero, Javier (2010)**, "Patients of the State. An Ethnographic Account of Poor People's Waiting," *Latin American Research Review*, 46 (1):5-29.

**Roberto Gargarella (2013)**, *Latin American Constitutionalism, 1810-2010: The Engine Room of the Constitution*, Selections.

**Falconi, José and James A. Robinson (2020)**, "The Political Economy of Latin America: New Visions", Working Paper.

**Molina, Carlos, Pablo Selaya and James A. Robinson (2020)**, "The Return of Pachamama", Working Paper.