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High Development Theory – Part 2 Spring 2004

In this part of the course I want to start by re-capping some of what we learned last term. I then want to spend some more time discussing politics and political mechanisms in some detail. I then want to focus on ‘comparative statics.’ How they can account for the variation we observe? In essence we use the comparative statics to understand data and stories about comparative development.

The reading list covers more things than I will be able to discuss properly in class, but I will mention everything and hopefully if you are interested you can use it to follow ideas you find interesting. For example, I will not spend a lot of time on Weber, but this is a great book which anyone seriously interested in economic development ought to read. Papers with models which I shall go through in detail are marked with a *.

The grade for the course is determined as follows. There will be one homework which consists of 30% of the grade. There will also be a take-home final exam which will represent 70% of the grade.

Lecture #1: Revisiting the first course. I first discuss what we (might have) learned in the autumn. Much of this is contained in the following paper: (Wednesday, March 3)

Acemoglu, Daron, Simon Johnson and James A. Robinson (2004) “Institutions as a Fundamental Theory of Long-Run Growth,” forthcoming in Philippe Aghion and Steven Durlauf eds *Handbook of Economic Growth* to be published by North-Holland.

Lecture #2: Political and Economic Losers (Wednesday, March 10)

***Acemoglu, Daron and James A. Robinson (2000)** “Political Losers as a Barrier to Economic Development,” *American Economic Review*, 90, 126-130.

***Bourguignon, Francois and Thierry Verdier (2000)** “Oligarchy, democracy, inequality and growth,” *Journal of Development Economics*, 62, 285-313.

***Aghion, Philippe and Peter W. Howitt (1998)** *Endogenous Growth Theory*, Cambridge, MIT Press. Chapter 9.3.

Rodrik, Dani (1996) Understanding Economic Policy Reform,” *Journal of Economic Literature*, 34, 9-41.

Lecture #3: The Political Staple Theory (Friday, March 12)

Shefter, Michael (1994) *Winners and Losers: How Sectors Shape the Developmental Prospects of States*, Ithaca, Cornell University Press. Chapters 1 and 2.

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.
***Nugent, Jeffery B. and James A. Robinson (2000)** “Are Endowments Fate?” CEPR Discussion Paper #3206.

Lecture #4: The Political Resource Curse (Wednesday, March 17).

Lane, Philip and Aaron Tornell (1996) “Growth and Voracity,” *American Economic Review*, 89, 22-46.

***Robinson, James A., Ragnar Torvik and Thierry Verdier (2002)** “The Political Incentives of Resource Booms,” unpublished.

Ross, Michael L. (1999) “The Political Economy of the Resource Curse,” *World Politics*, 51, 297-322.

Part 3: Other Big Institutional Theories

Lecture #5: State Capacity/ Legal Systems (Friday, March 19)

Putnam, Robert D. with Robert Leonardi and Raffaella Y. Nanetti (1993) *Making Democracy Work: Civic Traditions in Modern Italy*, Princeton; Princeton University Press. Chapter 1.

Evan, Peter B. (1989) “Predatory, Developmental and other Apparatuses: A Comparative Political Economy Perspective on the Third World State,” *Sociological Forum*, 4, 561-587.

LaPorta, Rafael, Florencio Lopez-de-Silanes, Andrei Shleifer and Robert W. Vishny (1998) “The Quality of Government,” *Journal of Law, Economics and Organization*, 15, 222-279.

Part 4: Big Cultural Theories

Lecture # 6: Religion/beliefs. Good Norms, Bad Norms. Adapted and Maladapted societies (Wednesday, March 24)

Weber, Max (1905) *The Protestant Ethic and the Spirit of Capitalism*.

Mokyr, Joel (1990) *The Lever of Riches*, New York; Oxford University Press. Chapter 7.

Banfield, Edward C. (1958) *The Moral Basis of a Backward Society*, Glencoe, Ill., Free Press.

Clark, Gregory (1987) “Why Isn’t the Whole World Developed? Lessons from the Cotton Mills,” *Journal of Economic History*, 47, 141-173.

***Greif, Avner (1994)** “Cultural Beliefs and the Organization of Society,” *Journal of Political Economy*, 102, 912-950.

***Francois, Patrick (2002)** *Social Capital and Economic Development*, New York; Routledge.

Part 5: Tests/Comparative Statics/Interactions

Lecture #7: Interests and Institutions (Friday, March 26)

Haber, Stephen H. (2002) "Political Institutions and Banking Systems: Lessons from the Economic Histories of Mexico and the United States, 1790-1914," Unpublished, Department of Political Science, Stanford University.

Bates, Robert H. (1981) *Markets and States in Tropical Africa*, University of California Press, Berkeley CA.

Bates, Robert H. (1997) *Open Economy Politics*, Princeton; Princeton University Press. Chapter 3 "The Entry of Colombia".

***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, 138-190.

Lecture #8: Heterogeneity, Inequality (Wednesday, March 31)

Easterly, William and Ross Levine (1997) "Africa's Growth Tragedy," *Quarterly Journal of Economics*, 112, 1203-1250.

Alesina, A. and R. Perotti (1996) "Income Distribution, Political Instability and Investment," *European Economic Review*, 40, 1203-1225.

Lecture #9: Population Density, Factor Endowments (Friday, April 2).

AJR (2002a) "Reversal of Fortune: Geography and Institutions in the Making of the Modern World Income Distribution," *Quarterly Journal of Economics*, 1231-1294, 118.

Diaz-Alejandro, Carlos F. (1988) "No Less than One Hundred Years of Argentine Economic History plus Some Comparisons," in Andres Velasco ed. *Trade, Development and the World Economy: Selected Essays of Carlos F. Diaz-Alejandro*, New York; Oxford University Press.

Bértola, Luis and Gabriel Porcile (2002) "Rich and Impoverished Cousins: Economic Performance and Income Distribution in Southern Settler Societies," Unpublished Universidad de la República, Montevideo.

Lecture #10: Competition, or lack of (Wednesday, April 14)

Tilly, Charles (1990) *Coercion, Capital and European States*, New York, Blackwell. Chapter 1.

Lecture #11: Locations, Geography (Friday, April 16).

AJR (2002b) "The Rise of Europe," NBER Working Paper # 9378.
<http://www.nber.org/papers/w9378>

Lecture #12: Political Institutions (Wednesday, April 21).

Przeworski, Adam and Fernando Limongi (1993) "Political Regimes and Economic Growth," *Journal of Economic Perspectives* 7, 51-69.