

**FECHAS:** 7 al 26 de Junio

**Horario:** 9:00 a 12: 00 m

**Salón:** LL-302

**Professor Camilo García**

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**Professor Leopoldo Fergusson**

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### **The Political Economy of Latin American Development**

The main topic of this course is to discuss the factors that have shaped the long-run economic and political development of Latin America with a special emphasis on Colombia. We focus on both cross-country and within-country differences. After discussing various types of hypotheses the main focus will be on the political economy of institutions.

**Evaluation:** The grade for the course will be determined by a take-home examination over the final weekend of the course to be handed in on Tuesday July 3. We will hand out some previous exam questions in advance to give an idea of the things you are supposed to understand.

**Lecture 1 Thursday June 7 (García):** Facts and questions about economic and political development in Latin America in the long-run. Why Political economy?

Acemoglu, Daron (2009). *Introduction to Modern Economic Growth*, Chapter 1. Princeton University Press, Princeton, NJ.

Acemoglu, Daron and James A. Robinson (2012). *Why Nations Fail*, Chapters 2 and 3. Crown Publishers, New York.

[Acemoglu, Daron, Davide Cantoni, Simon Johnson and James A. Robinson \(2009\). "Consequences of Radical Reform: The French Revolution," NBER Working Paper #14831.](#)

[Acemoglu, Daron, Simon Johnson and James A. Robinson \(2001\). "The Colonial Origins of Comparative Development: An Empirical Investigation", in \*American Economic Review\*, Vol. 91, No. 5, pp. 1369-1401.](#)

Diamond, Jared (1999). *Guns, Germs, and Steel*. Chapters 4, 10, and 18. W. W. Norton & Co., New York.

**Lecture 2 Friday June 8 (García):** Alternative Fundamental Explanations. The possible role of culture.

Cantoni, Davide (2009). “The Economic Effects of the Protestant Reformation: Testing the Weber Hypothesis in the German Lands”. Unpublished, Harvard University.

[Tabellini, Guido \(2008\). “Culture and Institutions: Economic Development in the Regions of Europe”, forthcoming in the \*Journal of the European Economic Association\*.](#)

[Grosjean, Pauline \(2011\). “A History of Violence: The Culture of Honor as a Determinant of Homicide in the US South”, Unpublished, University of San Francisco.](#)

[Guiso, Luigi, Paola Sapienza and Luigi Zingales \(2008\). “Long-Term Persistence,” NBER Working Paper #14278.](#)

[Waldmann, Peter \(2007\). “Is there a Culture of Violence in Colombia?”, in \*International Journal of Conflict and Violence\*, Vol. 1, No. 1, pp. 61-75.](#)

Banfield, Edward (1958). *The Moral Basis of a Backward Society*. The Free Press, New York.

**Lecture 3 Tuesday June 12 (García):** Towards a political economy of Institutions in Latin America

Acemoglu, Daron (2003). “Why Not a Political Coase Theorem? Social Conflict, Commitment, and Politics”, in *Journal of Comparative Economics*, Vol. 31, No. 4, pp. 620-652.

[Acemoglu, Daron, Simon Johnson and James A. Robinson \(2005\). “Institutions as the Fundamental Cause of Long-Run Growth”, in Philippe Aghion and Steven Durlauf \(eds.\), \*Handbook of Economic Growth\*, Vol. 1A, Chapter 6. North-Holland, Amsterdam.](#)

Acemoglu, Daron, Camilo García-Jimeno, and James A. Robinson (2012). “Finding Eldorado: Slavery and Long-Run Development in Colombia”, Working Paper.

[Coatsworth, John \(2008\). “Inequality, Institutions and Economic Growth in Latin America”, in \*Journal of Latin American Studies\*, Vol. 40, No. 3, pp. 545–569.](#)

[Dell, Melissa \(2010\). “The Persistent Effects of Peru’s Mining Mita”, in \*Econometrica\*, Vol. 78, No. 6, pp. 1863–1903.](#)

[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.](#)

[Haber, Stephen \(2002\). “Political Institutions and Economic Development: Lessons from the Economic Histories of Mexico and the United States, 1790-1914”, unpublished, Stanford University.](#)

**Lecture 4 Wednesday June 13 ( García):** Introduction to political economy #1. Some basics of collective choice in “civilized” environments. Preference aggregation and the median voter theorem.

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

Persson, Torsten and Guido Tabellini (2004). “Constitutional Rules and Fiscal Policy Outcomes”, in *American Economic Review*, Vol. 94, No. 1, pp. 25-45.

**Lecture 5 Thursday June 14 (Querubín):** Introduction to political economy #2. Probabilistic Voting.

Persson, Torsten and Guido Tabellini (2000). *Political Economics: Explaining Economic Policy*, Cambridge: MIT Press. Chapter 3.

**Lecture 6 Friday June 15 (Querubín):** Endogenous Political Institutions #1: Democracy

Acemoglu, Daron and James A. Robinson (2006). *Economic Origins of Dictatorship and Democracy*, New York: Cambridge University Press, Chapters 5 and 6.

**Lecture 7 Tuesday June 19 (Querubín):** Institutional persistence and change.

[Acemoglu, Daron and James A. Robinson \(2008\). “Persistence of Power, Elites and Institutions,” in \*American Economic Review\*, Vol. 98, No. 1, pp. 267-293.](#)

[Acemoglu, Daron, María Angélica Bautista, Pablo Querubín and James A. Robinson \(2008\). “Economic and Political Inequality: The Case of Cundinamarca, Colombia,” in Elhanan Helpman \(ed.\) \*The Political Economy of Institutions\*, Harvard University Press, Cambridge, MA.](#)

[Rossi, Martin \(2011\). “Family Business: Causes and Consequences of Political Dynasties”.](#)  
[Unpublished manuscript.](#)

**Lecture 8 Wednesday June 20 (Querubín):** Corruption and Fraud

[Fisman, Ray \(2001\). “Estimating the Value of Political Connections”, in \*American Economic Review\*, 91, No. 4, pp. 1095-1102.](#)

[Ferraz, Claudio and Frederico Finan \(2008\). “Exposing Corrupt Politicians: The Effects of Brazil’s Publicly Released Audits and Electoral Outcomes”, in \*Quarterly Journal of Economics\*, Vol. 123, No. 2, pp. 703-745.](#)

[Ferraz, Claudio and Frederico Finan \(2011\). “Electoral Accountability and Corruption: Evidence from the Audits of Local Governments”, in \*American Economic Review\*, Vol. 101, No. 4, pp. 1274-1311.](#)

[Chaves, Isaías, Leopoldo Fergusson and James A. Robinson \(2008\) “He who Counts Elects: The Determinants of Fraud in the 1922 Colombian Presidential Election,” NBER Working Paper #15127.](#)

**Lecture 9 Thursday June 21 (Fergusson):** The political economy of bad institutions.

[Acemoglu, Daron and James A. Robinson \(2000\). "Political Losers as Barrier to Economic Development," in \*American Economic Review\*, Vol. 90, No. 2, pp. 126-130.](#)

[Fergusson, Leopoldo \(2011\). "The Political Economy of Rural Property Rights and the Persistence of the Dual Economy".](#)

<http://econ-www.mit.edu/grad/leopoldo/research>

[Baland, Jean Marie and James A. Robinson \(2008\). "Land and Power: Theory and Evidence from Chile", in \*American Economic Review\*, Vol. 98, No. 5, pp. 1737-1765.](#)

**Lecture 10 Friday June 22 (Fergusson):** Preference aggregation in uncivilized environments/Empirical determinants and consequences of conflict and civil war

[Acemoglu, Daron, James Robinson and Rafael Santos-Villagran \(2009\). "The Monopoly of Violence: Evidence from Colombia", NBER Working Paper No. 15578.](#)

Fergusson, Leopoldo, James A. Robinson, Ragnar Torvik and Juan F. Vargas (2011). "The Need for Enemies: Theory and Evidence from Colombia" work in progress.

[Galiani, Sebastian, Martin Rossi, and Ernesto Schargrodsky \(2006\). "Conscription and Crime," World Bank Policy Research, Working Paper No. 4037.](#)

[Guidolin, Massimo and Eliana La Ferrara \(2007\). "Diamonds Are Forever, Wars Are Not: Is Conflict Bad for Private Firms?", in \*American Economic Review\*, Vol. 97, No. 5, pp. 1978-1993.](#)

**Lecture 11 Monday June 25 (Fergusson):** The role of natural resources.

[Dube, Oendriela and Juan-Fernando Vargas \(2007\). "Commodity Price Shocks and Civil Conflict: Evidence from Colombia", Unpublished manuscript.](#)

[Torvik, Ragnar \(2002\). "Natural resources, rent-seeking and welfare", in \*Journal of Development Economics\*, Vol. 67, No. 2, pp. 455-470.](#)

[Robinson, James A., Ragnar Torvik and Thierry Verdier \(2006\). "Political Foundations of the Resource Curse", in \*Journal of Development Economics\*, Vol. 79, No. 2, pp. 447-68.](#)

See alternative version of the model at:  
<http://www.svt.ntnu.no/iso/ragnar.torvik/simple%20model.pdf>

[Mehlum, Halvor, Karl Ove Moene and Ragnar Torvik \(2006\). "Institutions and the Resource Curse", in \*Economic Journal\*, Vol. 116, No. 1, pp. 1-20.](#)

[Monteiro, Joana and Claudio Ferraz \(2010\). "Does Oil Make Leaders Unaccountable? Evidence from Brazil's Offshore Oil Boom", Working Paper.](#)

[http://mitsloan.mit.edu/neudc/papers/paper\\_336.pdf](http://mitsloan.mit.edu/neudc/papers/paper_336.pdf)

**Lecture 12 Tuesday June 26 (Fergusson): Dysfunctional Democracy.**

[Acemoglu, Daron, Simon Johnson, Pablo Querubín and James A. Robinson \(2008\). “When Does Policy Reform Work? The Case of Central Bank Independence”, in \*Brookings Papers on Economic Activity\*, Spring, pp. 351-417.](#)

[Hsieh, Chang-Tai, Edward Miguel, Daniel Ortega, and Francisco Rodriguez \(2008\). “The Price of Political Opposition: Evidence from Venezuela's Maisanta”, in \*American Economic Journal: Applied Economics\*, Vol. 3, No. 2, pp. 196-214.](#)

[McMillan, John and Pablo Zoido \(2004\). “How to Subvert Democracy: Montesinos in Peru”, in \*Journal of Economic Perspectives\*, Vol. 18, No. 4, pp. 69-92.](#)

Robinson, James A. and Ragnar Torvik (2009). “The Real Swing Voter's Curse”, in *American Economic Review*, Vol. 99, No. 2, pp. 310-3

**Nota:**

La nota definitiva se aproximará al múltiplo de 0.5 más cercano de acuerdo a la siguiente regla: 2.75 a 3.24 = 3.0; 3.25 a 3.74 = 3.5, etc.

**Fecha de Retiro:**

El estudiante podrá retirar el curso, sin devolución, hasta un día hábil antes de la fecha de entrega del take-home examination (July 3).