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High Development Theory – Part 1
Fall 2003

The aim of this course is to consider BIG FACTS and BIG THEORIES about comparative development. These are hard to classify, but I use a distinction between economic, political and cultural theories. The course is divided into two parts, one to be taught in the fall and one in the spring. I first discuss these various theories and then move to studying their comparative statics and how they actually explain facts about comparative development. In reality, economic, political and cultural factors are probably all involved in developing a satisfactory account of comparative development and the last part of the course (in the spring) is also all about these interactions.

Part 1: Big Economic Theories

Prelude: Some big facts about development. What are the questions?

Readings: Tables from the World Development Report 2002. Tables from **Angus Maddison (2001)** *The World Economy: A Millennial Perspective*, OECD, Paris. Tables from assorted papers by Acemoglu, Johnson and Robinson.

Lecture #1: Growth Theory

Economists amongst you will not learn any cute new models here. Political scientists can learn all they need from my Lecture Notes #1.

Robinson, James A. (2003) High Development Theory Lecture Notes #1.

Lecture #2: Geography

Diamond, Jared (1997) *Guns, Germs and Steel*, New York; W.W. Norton & Co.
Gallup, John L., Andrew Mellinger and Jeffery D. Sachs (1998) "Geography and Economic Development," NBER Working Paper #6849.
http://www.nber.org/papers/w6849

Lecture #3: Staple Theory/Resource Curse/Factor Endowments

Baldwin, R.E. (1956) "Patterns of Development in Newly Settled Regions," *The Manchester School of Economic and Social Studies*, 14, 161-179.

Watkins, M.H. (1963) "A Staple Theory of Economic Growth," *Canadian Journal of Economics and Political Science*, 29, 141-158. Reprinted in M.H. Watkins and H.M. Grant ed. *Canadian Economic History*, Carleton University Press.
McGreevey, William (1971) *An Economic History of Colombia 1845-1930*, New York; Cambridge University Press. Chapter 9 "Colombian Counterpoint."
Matsuyama, Kiminori (1992) "Agricultural Productivity, Comparative Advantage and Economic Growth," *Journal of Economic Theory*, 58, 317-334.
Robinson, James A. (2003) High Development Theory Lecture Notes #2.

Lectures #4-5: Market Failures/Economic Institutions

(a) Property rights.
North, Douglass C. and Robert P. Thomas (1973) *The Rise of the Western World*, New York; Cambridge University Press. Chapters 1 and 2.
North, Douglass C. and Barry R. Weingast (1989) "Constitutions and Commitment: The Evolution of Institutions Governing Public Choice in seventeenth century England," *Journal of Economic History*, 49, 803-832.
Acemoglu, Daron, Simon Johnson and James A. Robinson (AJR) (2001) "Colonial Origins of Comparative Development: An Empirical Investigation," *American Economic Review*, 91, 1369-1401.
AJR + Yunyong Thaicharoen (2003) "Institutional Causes, Macroeconomic Symptoms," *Journal of Monetary Economics*, 50, 49-123.

(b) Absence of Relevant Markets
Banerjee, Abhijit and Andrew F. Newman (1993) "Occupational Choice and the Process of Development," *Journal of Political Economy*, 101, 274-298.

(c) Coordination Failures, Poverty Traps.
Krugman, Paul (2000) "The Rise and Fall of Development Economics," http://web.mit.edu/krugman/www/dishpan.html.
Murphy, Kevin J., Andrei Shleifer and Robert W. Vishny (1990) "Industrialization and the Big Push," *Journal of Political Economy*, 97, 1003-1026.
Acemoglu, Daron (1995) "Reward Structures and the Allocation of Talent," *European Economic Review*, 39, 17-38.

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Lecture #6: If there are market failures shouldn't the state/government help?

Yes.
Haggard, Stephan (1990) *Pathways from the Periphery: The Politics of Growth in the Newly Industrializing Countries*, Cornell University Press, Ithaca NY. Chapters 1 and 2.
Wade, Robert H. (1990) *Governing the Market*, Princeton University Press, Princeton NJ. Chapters 1, 10 and 11.

No.

Krueger, Anne O. (1990) "Government Failures in Development," *Journal of Economic Perspectives*, 4, 9-23.

An initial discussion of some of the issues and trade-offs.
Shleifer, Andrei and Robert W. Vishny (1998) *The Grabbing Hand*, Cambridge; Harvard University Press. Chapter 1, p. 1-13.
Aceomglu, Daron and Thierry Verdier (2000) "The Trade-Off between Corruption and Market Failures," *American Economic Review*, 90, 194-211.

Part 2: Big Political Theories

Lecture #7: Some initial issues. State Predation. Dictatorship.

Acemoglu, Daron (2002) "Why not a Political Coase Theorem?" NBER Working Paper #9377, http://papers.nber.org/papers/W9377.
North, Douglass C. (1981) *Structure and Change in Economic History*, Chapter 3 "A Neoclassical Theory of the State," W.W. Norton & Co., New York.
Grossman, Herschel I. and S.J. Noh (1994) "Proprietary Public Finance and Economic Welfare," *Journal of Public Economics*, 53, 187-204.
Robinson, James A. (2003) High Development Theory Lecture Notes #4.

Lecture #8: Democracy. Political institutions.

Persson, Torsten and Guido Tabellini (1994) "Is Inequality Harmful to Growth?" *American Economic Review*, 84, 600-621.
Alesina A. and D. Rodrik (1994) "Distributive Politics and Economic Growth," *Quarterly Journal of Economics*, 109, 465-490.

Lecture #9: Other types of distributional conflict, interest groups.

Lancaster, Kelvin J. (1973) "The Dynamic Inefficiency of Capitalism," *Journal of Political Economy*, 81, 1092-1109.
De Soto, Hernando (1989) *The Other Path*; New York; Harper and Row. Chapters,5-7.
Velasco, Andres (1998) "The Common Property Approach to the Political Economy of Fiscal Policy," in Mariano Tommasi and Frederico Sturzenegger eds. *The Political Economy of Reform*, Cambridge; MIT Press.
Djankov, Simeon, Rafael LaPorta, Florencio Lopez-de-Silanes, Andrei Shleifer (2002) "The Regulation of Entry," *Quarterly Journal of Economics*, 117, 1-37.
Robinson, James A. (2003) High Development Theory Lecture Notes #5.

Lecture #10: Economic Losers

Lundahl, Mats (1992) *Apartheid in Theory and Practice: An Economic Analysis*, Boulder; Westview Press. Chapters 6 and 7.
Basu, Kaushik (1997) *Analytical Development Economics*, MIT Press, Cambridge MA. Chapter 11 "Stagnation in Backward Agriculture."

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 #11: Political Losers

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.
Acemoglu, Daron and James A. Robinson (2002) "Economic Backwardness in Political Perspective," NBER Working Paper #8831.
Robinson, James A. (2003) High Development Theory Lecture Notes #6.

Lecture #12: Explaining the Form of Redistribution

van de Walle, Nicolas (1993) "The Politics of Nonreform in the Cameroon," in Thomas M. Callaghy and John Ravenhill eds. *Hemmed In: Responses to Africa's Economic Decline*, Columbia University Press, New York, NY.
Coate, Stephen and Stephen Morris (1995) "On the Form of Transfers to Special Interests," *Journal of Political Economy*, 103, 1210-1235.
Persson, Torsten and Guido Tabellini (1999) "The Size and Scope of Government: Comparative Politics with Rational Politicians," *European Economic Review*, 43, 699-735."
Robinson, James A. and Thierry Verdier (2002) "The Political Economy of Clientalism," CEPR Discussion Paper #1313.