1 Introduction

There is a growing awareness that many of the key challenges in fostering development in poor societies are political challenges. What can we do to encourage trade, cooperation and peace in environments riven with social and ethnic divisions? How do we foster broadly beneficial political reforms and good governance when the potential losers to reforms are able to mobilise to prevent them? How do we detect and mitigate the effects of corruption? What role may modern finance play in creating or mitigating political economy challenges in developing countries?

These problems are modern and endemic, but many are also old problems, and economic theory and the practical experiences of different countries have much to tell us both about what has worked in the past, and what policy experiments we may try in new environments. Rather than a survey, the objective of this course is to selectively discuss new and open research areas in political development economics and the theoretical and empirical tools necessary to contribute to them, with the topics chosen to complement other Stanford courses in applied microeconomics, development, political economics and economic history. By the end of the course, the student will have analysed a theoretical or historical solution to a key political development challenge and proposed a natural or field experiment to test it empirically. Graduate level proficiency in microeconomics and empirical methods will be required.

2 Practicalities

Session times  Weds 8:30am-11:20am

*Associate Professor of Political Economy, Stanford University, and Associate Professor of Economics and Political Science by courtesy. My thanks to Daron Acemoglu, Kimuli Kasara and Debraj Ray for sharing course materials and for advice on the course structure.
Pre-requisites  Proficiency in microeconomics and econometrics at the level of the 1st year GSB / economics graduate sequence, or by permission.

Office hours  By appointment

Course websites  On coursework

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3  Course requirements

1. Class participation (15%): This class will combine lecture and seminar. Participants will be expected to have done the discussion reading before class and be prepared to answer questions during the session. Each student can choose one “mulligan”-one day, mentioned to me at the beginning of class, when they will not be evaluated on class participation.

2. Referee report with modeling exercise (20%): This exercise will take you through the process of critiquing an applied model in a current working paper and begin crafting your own alternative.

3. Class presentation: (20%): You will take the lead presenting and critiquing a working paper directly related to your research proposal.

4. Research paper: (45%): By the end of the course, you will have analysed a theoretical or historical solution to a key political development challenge and proposed a natural or field experiment to test it empirically.

4  Schedule

1. March 30:
   (a) Overview and introductions
(b) Why development is hard: constituencies and losers from reform.
(c) Financial solutions to the political economy of development.

2. April 4:
   (a) Social and ethnic identities as political constituencies
   (b) Understanding identity and identity change.

3. April 13: Ethnic and civil conflict

4. Week of April 17- April 23: One on one meetings to discuss research proposal.

5. April 20:
   (a) Violence vs non-violent mobilization
   (b) The aftermath of conflict
   (c) referee report due.

6. April 27:
   (a) Corruption and “forensic” economics
   (b) research outline due

7. May 4: The role of leadership in development

8. May 11: Complementarities and institutions

9. May 18:
   (a) The origins of the state and state capacity
   (b) Democratisation and threats to democracy

10. May 25: Topics, including:
     (a) Informational politics and deliberative processes
     (b) Political economy of trade.
     (c) Political macroeconomics

11. Week of May 22- May 28: One on one meetings to discuss student presentations.

12. June 1: Student presentations


5 Reading list

This reading list is meant to be inclusive. Each week, I will ask you to prepare to discuss and answer questions on two or three papers, while I cover the others (and several not listed), highlighting useful methods or intriguing ideas.
5.1 Why development is hard: constituencies and losers

Discussion focus

1. Rajan, Raghuram and Rodney Ramcharan (forthcoming) Constituencies and Legislation: The Fight over the McFadden Act


5.2 Financial solutions to political economy problems


Historical Cases: The USA, 1790s, Japan, 1850s, England, 17C-19C, Russia 20-21C, Israel, 21C.
5.3 Understanding ethnic and social identity

Discussion focus


Background


Historical Cases: Indigenous Communities in Mexico (15C-21C) Islamisation in sub-Saharan Africa (20C), Indonesia (Financial crisis)
5.4 Ethnic and Civil Conflict

Discussion focus


Background papers


Historical Cases: Colombia (20C), India (6C-20C), Spain (15C) / Ottoman Empire (15-20C)

5.5 Violence vs non-violent mobilization

Discussion focus


**Background papers**


5.6 The aftermath of conflict


**Background**


**Historical Cases**: India (1947), Japan (20C), Spain (20C), Uganda (1990s-2000s), Africa (20C), Israel (21C)

### 5.7 Corruption and “forensic” economics

**Discussion focus**

1. Melissa Dell (forthcoming) “Trafficking Networks and the Mexican Drug War” *American Economic Review* *


**Background**


**Historical Cases**: Guatemala, Iran (20C), Indonesia (20C), Mexico (21C)
5.8 Complementarities and institutions

Discussion focus


Background


Historical Cases: Russia, Poland, Czech Republic (20C)

5.9 The origins of the state and state capacity

1. Susan Athey, Emilio Calvano and Saumitra Jha (2016) “A Theory of Community Formation and Social Hierarchy”, (to be posted to coursework)


**Historical Cases:** Egypt, Mesopotamia, the Pacific Northwest

### 5.10 The importance of leaders in development

**Discussion focus**


### 5.11 Democratisation and threats to democracy

**Discussion focus**


**Background**

1. Daron Acemoglu, Suresh Naidu, Pascual Restrepo, James Robinson (2014) “Democracy Does Cause Growth” *NBER working paper*


**Historical Cases:** England (19C)

### 5.12 Deliberative processes

**Discussion Focus**


**Background**


5.13 Political open economy macroeconomics


Historical Cases: China (20-21C)

5.14 Political Economy of Trade


3. Helen Milner and Bumba Mukherjee (2011) “Democracy and Trade Policy in Developing Countries: Particularism and Domestic Politics with a case study of India” mimeo, Princeton


Background


Historical Cases Venice (9C-18C), Caribbean (19C), Latin America (20C), South Asia (20C)