This course provides an introduction to the emerging field of political economy of institutions and development. Research in economics, economic history and political science has shown that economic development failures are typically correlated with other institutional, organizational, and political failures. That is, the regions that perform poorly in one dimension, also underperform in many dimensions of collective behavior. The purpose of the course is to introduce you to different methodological approaches and to the empirical evidence.

The major questions to be addressed by the course are: How central is politics to economic development? How do political institutions determine policy choices? How do economic structures in turn impact on politics? Why do governments employ policies that hinder development? What are the causes and consequences of corruption and inequality? Why do seemingly inefficient institutions survive? What is the role of history on current outcomes? Do culture and beliefs influence development?

**Prerequisites:** Econometrics and Game Theory.

**Readings:** Students are required to read at least one of the articles or book chapters marked with two stars (**) for each week. There will be weekly, oral or written, evaluations of the readings. Readings not marked with stars are additional readings. Additional readings are not required, I include them as a guide to help you write your memos and organize your presentations.

**Group Presentations:** Presentations are not intended to summarize the reading. Rather, presentations are intended to take the reading further. Every week, one group will undertake an empirical analysis using real data to replicate the analysis in the reading, or otherwise use evidence to convincingly evaluate the implications of the reading. A second group (chosen randomly) will respond in class to the presentation of their peers, taking a critical stance.

**Policy memos:** The students are required to write two policy memos (2-3 pages) on the readings (at least 2) of two different weeks of their choosing. A student cannot write a policy memo for the week that he or she is presenting. Students can discuss with other students the readings and write the memo based on the discussion, but each student must write his/her own memo.

**Evaluation:** Each student will be evaluated on the basis of two in class presentations (20%), two written policy memos (30%), class participation (20%), and a final exam (30%). A minimum of 85% class attendance is required to take the final exam.

**Academic Integrity:** A fundamental tenet of all educational institutions is academic honesty; academic work depends upon respect for and acknowledgment of the work and ideas of others. Misrepresenting someone else’s work as one’s own is a serious offense in any academic setting and it will not be condoned.
Recommended books:


**COURSE SCHEDULE**

Week 1. The Fundamental Problem in Political Economy


Week 2. Causality and Evidence


Week 3. Does Political Economy Matter?


Week 4. Historical Legacies


Week 5. Natural Resources and Institutions


Week 6. Geography, Social Conflict and Development


Week 7. Institutions and Behavior


Weeks 8. The Development of the State (or Endogenous Political Change)


Week 9. Democracy and Autocracy


Week 10. Inequality and Democracy


**Week 11. Political Decision Making**


**Week 12. Governance Failures**


**Week 13. Rent Seeking**

** A. Przeworski. States and Markets, ch. 6.


Week 14. Beliefs and Culture


Week 15. Dynamics: Institutional Change and Persistence


