

## Institutions and Long-Run Development

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|--|---------------------------------------|
| Course title – Intitulé du cours               | Institutions and Long-Run Development |
| Level / Semester – Niveau /semestre            | M2 / S2                               |
| School – Composante                            | Ecole d'Economie de Toulouse          |
| Teacher – Enseignant responsable               | Victor GAY                            |
| Other teacher(s) – Autre(s) enseignant(s)      |                                       |
| Other teacher(s) – Autre(s) enseignant(s)      |                                       |
| Other teacher(s) – Autre(s) enseignant(s)      |                                       |
| Other teacher(s) – Autre(s) enseignant(s)      |                                       |
| Other teacher(s) – Autre(s) enseignant(s)      |                                       |
| Lecture Hours – Volume Horaire CM              | 30                                    |
| TA Hours – Volume horaire TD                   |                                       |
| TP Hours – Volume horaire TP                   |                                       |
| Course Language – Langue du cours              | Anglais                               |
| TA and/or TP Language – Langue des TD et/ou TP | Anglais                               |

### **Teaching staff contacts – Coordonnées de l'équipe pédagogique :**

[victor.gay@tse-fr.eu](mailto:victor.gay@tse-fr.eu), T.458. Meetings on demand by e-mail.

### **Course Objectives – Objectifs du cours :**

#### **Objectives**

The goal of this course is to provide students with an overview of the deep roots of long-run development, and in particular, the role of institutions. While a significant portion of the course will have a historical perspective, it will also consider how these ideas apply to current developing economies. In methodological terms, the course will provide simple theoretical frameworks to help students think complex causal relationships as well as empirical methods to disentangle causality from correlation. Moreover, students will have the opportunity to think about the material in depth through one group presentation of academic papers on a theme and a group project.

#### **Description**

Why are some countries so much richer than others today? Why do some countries grow so much faster? What sustains development over the long run? Among all existing hypotheses, empirical evidence points toward several explanations, and in particular institutions, as the main sources of long-run growth and inequality across nations. Still, the existence of effective institutions is usually taken as a given in economics when analyzing issues of market failures, public goods provision, and optimal taxation. However, this starting point is generally unwarranted in the perspective of many developing economies today and across most of human history. In fact, weak or failing institutions are the rule rather than the exception. Understanding how effective institutions emerge is of paramount importance as it is one of the main correlates of development today. This course will

explore the following issues: why are institutions crucial in explaining long-run development? What can explain cross-country variations in institutions? How can they explain current patterns in economic development? How do geography and culture interact with institutions? The course will provide simple theoretical tools to think about these complex causal relationships. Moreover, beyond nourishing the narrative, the course will also emphasize an empirical approach to assess the validity of the conceptual framework.

### **Prerequisites – Pré requis :**

Although the course will not use difficult mathematics or econometrics, familiarity with basic economic theory and econometrics will be useful.

### **Practical information about the sessions – Modalités pratiques de gestion du cours :**

Each week will generally consist of two 1.5-hour sessions: one standard lecture and one discussion session. The lecture will provide an overview of a given topic. Lecture slides will be posted on Moodle after each class. To further ensure active student participation and learning, each student will present and discuss the main results of relevant research during discussion sessions. Every student in the class will be expected to have read papers before discussion sessions and be ready to discuss them. Students will also pair in groups and present a project that applies the tools from the course to a concrete contemporaneous (or historical) problem.

### **Grading system – Modalités d'évaluation :**

40%: group project; 40%: paper presentation and discussion; 20%: in-class participation.

### **Session planning and Bibliography/references :**

- **Introduction. Sessions 1–2.**

- **Main References**

**Acemoglu, Johnson and Robinson.** 2005. "Institutions as a Fundamental Cause of Long-Run Growth." In *Handbook of Economic Growth*, Volume 1A.

**Nunn.** 2009. "The Importance of History for Economic Development." *Annual Review of Economics*, 1, 65-92.

- **Other References**

**Allen, Robert.** 2000. "Economic Structure and Agricultural Productivity in Europe, 1300–1800." *European Review of Economic History*, 4(1), 1–26.

**Barro and Lee.** 2013. "A New Dataset of Educational Attainment in the World, 1950-2010." *Journal of Development Economics*, 104, 184–198.

**Bolt et al.** 2018. "Rebasing 'Maddison'." GGDC Research Memorandum.

**Broadberry, Stephen, Bruce Campbell, Alexander Klein, Mark Overton, and Bas van Leeuwen.** *British Economic Growth, 1270–1870.* Cambridge University Press.

**Broadberry, Stephen.** 2020. "The Industrial Revolution and the Great Divergence: Recent Findings from Historical National Accounting." CEPR Discussion Paper 15207.

- Court.** 2020. "A Reassessment of the Great Divergence Debate: Towards a Reconciliation of Apparently Distinct Determinants." *European Review of Economic History*, 24(4), 633–674.
- Feenstra et al.** 2015. "The Next Generation of the Penn World Table." *American Economic Review*, 105(10), 3150–3182.
- Jones and Klenow.** 2016. "Beyond GDP? Welfare across Countries and Time." *American Economic Review*, 106(9), 2426–2457.
- Maddison, Angus.** 2010. "Statistics on World Population, GDP and Per Capita GDP, 1–2008 AD." <http://www.ggdcd.net/MADDISON/oriindex.htm>.
- Myerson.** 2009. "Learning from Schelling's Strategy of Conflict." *Journal of Economic Literature*, 47(4), 1109–1125.
- Nunn.** 2020. "The Historical Roots of Economic Development." *Science*, 367(6485).
- Schwabish.** 2014. "An Economist's Guide to Visualizing Data." *Journal of Economic Perspectives*, 28(1), 2090–234.

- **Topic 1: The Impact of Institutions on Long-Run Development. Sessions 3–6.**

- **Main References**

- Acemoglu, Johnson and Robinson.** 2001. "The Colonial Origins of Comparative Development." *American Economic Review*, 91(5), 1369–1401.
- Acemoglu, Johnson and Robinson.** 2002. "Reversal of Fortune." *Quarterly Journal of Economics*, 117(4), 1231–1294.

- **Other References**

- Acemoglu, Johnson and Robinson.** 2012. "The Colonial Origins of Comparative Development." *American Economic Review*, 102(6), 3077–3110.
- Albouy.** 2012. "The Colonial Origins of Comparative Development: Comment." *American Economic Review*, 102(6): 3059–3076.
- Boix, Miller and Rosato.** 2012. "A Complete Data Set of Political Regimes, 1800-2007." *Comparative Political Studies*, 46(12), 1523–1554.
- Huillery.** 2011. "The Impact of European Settlement within French West Africa: Did Pre-colonial Prosperous Areas Fall Behind?" *Journal of African Economies*, 20(2), 263–311.
- Kaufmann, Kraay and Mastruzzi.** 2010. "The Worldwide Governance Indicators." World Bank Policy Research Working Paper 5430.
- Mayer and Zignago.** 2011. "Notes on CEPII's Distance Measures : The GeoDist database." CEPII Working Paper 25.
- Pemstein, Meserve and Melton.** 2010. "Democratic Compromise: A Latent Variable Analysis of Ten Measure of Regime Type." *Political Analysis*, 18(4), 426–449.
- Skaaning, Gerring and Bartusevicius.** 2015. "A Lexical Index of Electoral Democracy." *Comparative Political Studies*, 48(12), 1491–1525.

- **Discussion Session 1: Colonial Institutions. Session 4.**

- Dell.** 2010. "The Persistent Effects of Peru's Mining Mita." *Econometrica*, 78(6), 1863–1903.

**Dell and Olken.** 2020. "The Development Effects of the Extractive Colonial Economy." *The Review of Economic Studies*, 87(1), 164–203.

**Iyer.** 2010. "Direct versus Indirect Colonial Rule in India." *The Review of Economics and Statistics*, 92(4), 693–713.

**Lowes and Montero.** 2017. "King Leopold's Ghost: The Legacy of Labor Coercion in the DRC." In *The Long Economic Shadow of History*, Michalopoulos and Papaioannou (Eds.), 76–86.

- **Discussion Session 2: Pre-Colonial Institutions. Session 5.**

**Dell, Lane and Querubin.** 2018. "The Historical State, Local Collective Action, and Economic Development in Vietnam." *Econometrica*, 86(6), 2083–2121.

**Gennaioli and Rainer.** 2007. "The Modern Impact of Precolonial Centralization in Africa." *Journal of Economic Growth*, 12, 185–234.

**Michalopoulos and Papaioannou.** 2013. "Pre-Colonial Ethnic Institutions and Contemporary African Development." *Econometrica*, 81(1), 113–152.

- **Discussion Session 3: Western Institutions. Session 6.**

**Acemoglu, Johnson, and Robinson.** 2005. "The Rise of Europe: Atlantic Trade, Institutional Change, and Economic Growth." *American Economic Review*, 95(3), 546–579.

**Acemoglu, Cantoni, Johnson, and Robinson.** 2011. "The Consequences of Radical Reform: The French Revolution." *American Economic Review*, 101(7), 3286–3307.

- **Topic 2: State Capacity, Conflict, and Development. (sessions 7–10)**

- **Main References**

**Dincecco.** 2017. *State Capacity and Economic Development*.

**Dincecco, Fenske and Onorato.** 2019. "Is Africa Different? Historical Conflict and State Development." *Economic History of Developing Regions*, 34(2), 209–250.

**Dincecco and Katz.** 2016. "State Capacity and Long-Run Economic Performance." *The Economic Journal*, 126, 189–2018.

**Dincecco and Wang.** 2018. "Violent Conflict and Political Development over the Long Run." *Annual Review of Political Science*, 21, 341–358.

**Fernández-Villaverde, Koyama, Lin, and Sng.** 2020. "Fractured-Land and the Puzzle of Political Unification and Fragmentation." Working Paper.

**Johnson and Koyama.** 2017. "States and Economic Growth: Capacity and Constraints." *Explorations in Economic History*, 64, 1–20.

**Voigtländer and Voth.** 2013. "Gifts of Mars: Warfare and Europe's Early Rise to Riches." *Journal of Economic Perspectives*, 27(4), 165–186.

- **Other References**

**Brecke.** 1999. "Violent Conflicts 1400 AD to the Present in Different Regions in the World." Dataset.

**Clark, Golder, and Golder.** 2017. "An Exit Voice and Loyalty Model of Politics." *British Journal of Political Science*, 47, 719–748.

**Dincecco and Onorato.** 2017. *From Warfare to Wealth*.

**Epstein.** 2000. *Freedom and Growth*.

**Guiso, Sapienza, and Zingales.** 2016. "Long-Term Persistence." *Journal of the European Economic Association*. 14(6), 1401–1436.

**Hirschman.** 1970. *Exit, Voice, and Loyalty*.

**Mann.** 1986. "The Autonomous Power of the State." In *States History*, 109-136.

**Putterman and Weil.** 2010. "Post-1500 Population Flows and the Long-Run Determinants of Economic Growth and Inequality." *The Quarterly Journal of Economics*, 125(4), 1627–1682.

**Stasavage.** 2011. *States of Credit*.

**Stasavage.** 2016. "Representation and Consent: Why They Arose in Europe and Not Elsewhere." *Annual Review of Political Science*, 19, 145–162.

**Tilly.** 1992. *Coercion, Capital and European States, 900–1992*.

**Tilly.** 1975. "Reflections on the History of European State-Making." In *The Formation of States in Western Europe*, 3–83.

- **Discussion Session 4: State Capacity and Development. Session 9.**

**Acemoglu, García-Jimeno and Robinson.** 2015. "State Capacity and Economic Development: A Network Approach." *American Economic Review*, 105(8), 2654–2409.

**Acemoglu, Moscona and Robinson.** 2016. "State Capacity and American Technology: Evidence from the Nineteenth Century." *American Economic Review: Papers & Proceedings*, 106(5), 61–67.

**Johnson and Koyama.** 2014. "Taxes, Lawyers and the Decline of Witch Trials in France." *The Journal of Law & Economics*, 57(1), 77–112.

**Lu, Luan and Sng.** 2016. "The Effect of State Capacity under Different Economic Systems." Working paper.

**Rubin and Ma.** 2019. "The Paradox of Power." *Journal of Comparative Economics*, 47, 277–294.

- **Discussion Session 5: Conflict and Development. Session 10.**

**Adhavyu, Fenske, Khanna and Nyshadham.** 2020. "Resources, Conflict, and Economic Development in Africa." *Journal of Development Economics*, forthcoming.

**Dincecco, Fenske, Menon and Mukherjee.** 2020. "Pre-Colonial Warfare and Long-Run Development in India." Working Paper.

**Dincecco and Onorato.** 2016. "Military Conflict and the Rise of Urban Europe." *Journal of Economic Growth*, 21, 259–282.

**Michalopoulos and Papaioannou.** 2016. "The Long-Run Effects of the Scramble for Africa." *American Economic Review*, 106(7), 1802–1848.

- **Topic 3: Institutions and Geography. Sessions 11–12.**

- **Main References**

**Acemoglu and Johnson.** 2007. "Disease and Development: The Effect of Life Expectancy on Economic Growth." *Journal of Political Economy*, 115(6), 925–985.

**Spolaore and Wacziarg.** 2013. "How Deep are the Roots of Economic Development." *Journal of Economic Literature*. 51(2), 235–369.

- **Other References**

**Acemoglu and Johnson.** 2014. "Disease and Development: a Reply." *Journal of Political Economy*, 122(6), 1367–1375.

**Bloom, Canning, and Fink.** 2014. "Disease and Development Revisited." *Journal of Political Economy*, 122(6), 1355–1366.

**Diamond.** 1997. *Guns, Germs, and Steel*.

**Sachs.** 2003. "Institutions Don't Rule: Direct Effects of Geography on Per Capita Income." NBER Working Paper 9490.

**Weil.** 2007. "Accounting for the Effect of Health on Economic Growth." *The Quarterly Journal of Economics*, 122(3), 1265–1306.

- **Discussion Session 6: Institutions and Geography. Session 12.**

**Alsan.** 2015. "The Effect of the TseTse Fly on African Development." *American Economic Review*, 105(1), 382–410.

**Fenske.** 2013. "Does Land Abundance Explain African Institutions?" *The Economic Journal*, 123, 1363–1390.

**Nunn and Puga.** 2007. "Ruggedness. The Blessing of Bad Geography in Africa" *The Review of Economics and Statistics*, 94(1), 20–36.

- **Topic 4: Institutions and Culture. Sessions 13–14.**

- **Main Reference**

**Alesina and Giuliano.** 2015. "Culture and Institutions." *Journal of Economic Literature*, 53(4), 898–944.

- **Other References**

**Bicchieri.** 2006. *The Grammar of Society*.

**Bicchieri.** 2016. *Norms in the Wild*.

**Blau.** 2015. "Immigrants and Gender Roles: Assimilation vs Culture." *IZA Journal of Development and Migration*, 4, 1–21.

**Falk, Becker, Dohmen, Enke, Huffman and Sunder.** 2018. "Global Evidence on Economic Preferences." *The Quarterly Journal of Economics*, 133(4), 1645–1692.

**Fernandez.** 2011. "Does Culture Matter?" In *Handbook of Social Economics*, Vol 1, 481–501.

**Fernandez.** 2013. "Cultural Change as Learning." *American Economic Review*, 103(1), 472–500.

**Fernandez and Fogli.** 2009. "Culture: An Empirical Investigation of Beliefs, Work, and Fertility." *American Economic Journal: Macroeconomics*, 1(1), 146–177.

**Fogli and Veldkamp.** 2011. "Nature or Nurture? Learning and the Geography of Female Labor Force Participation" *Econometrica*, 79(4), 1103–1138.

**Myerson.** 2009. "Learning from Schelling's Strategy of Conflict." *Journal of Economic Literature*, 47(4), 1109–1125.

**Spater and Tranvik.** 2019. "The Protestant Ethic Reexamined: Calvinism and Industrialization." *Comparative Political Studies*, 52(13–14), 1963–1994.

- **Discussion Session 7: Institutions and Culture. Session 14.**

**Alesina and Fuchs-Schundeln.** 2007. "Good-Bye Lenin (or Not?): The Effect of Communism on People's Preferences." *American Economic Review*, 97(4), 1507–1528.

**Becker, Boeckh, Hainz and Woessmann.** 2016. "The Empire is Dead, Long Live the Empire! Long-Run Persistence of Trust and Corruption in the Bureaucracy." *The Economic Journal*, 126, 40–74.

**Lowes, Nunn, Robinson and Weigel.** 2017. "The Evolution of Culture and Institutions: Evidence from the Kuba Kingdom." *Econometrica*, 85(4), 1065–1091.

**Tabellini.** 2010. "Culture and Institutions: Economic Development in the Regions of Europe." *Journal of the European Economic Association*, 8(4), 677–716.

- **Topic 5: Political Regimes, Corruption, and Development. Sessions 15–16.**

- **Main References**

**Acemoglu, Naidu, Restrepo and Robinson.** 2019. "Democracy Does Cause Growth." *Journal of Political Economy*, 127(1), 47–100.

**Colagrossi, Rossignoli, and Maggioni.** 2020. "Does Democracy Cause Growth? A Meta-Analysis (of 2000 Regressions)." *European Journal of Political Economy*, 61, 101824.

- **Other References**

**d'Agostino, Dunne and Pieroni.** 2016. "Government Spending, Corruption and Economic Growth." *World Development*, 84, 190–205.

**Qu, Slagter, Sylwester and Doiron.** 2019. "Explaining the standard errors of corruption perception indices." *Journal of Comparative Economics*, 47(4), 907–920.

**Thomas.** 2010. "What do the Worldwide Governance Indicators Measure?" *The European Journal of Development Research*, 22(1), 31–54.

**Ugur.** 2014. "Corruption's Direct Effects on Per-Capita Income Growth." *Journal of Economic Surveys*. 28(3), 472–490.

- **Discussion Session 8: Corruption and Development. Session 16.**

**Bobonis, Fuertes and Schwabe.** 2016. "Monitoring corruptible politicians." *American Economic Review*, 106, 2371–2405.

**Lehne, Shapiro and Eynde.** 2018. "Building connections: political corruption and road construction in India." *Journal of Development Economics*, 131, 62–78.

**Prakash, Rockmore and Uppal.** 2019. "Do criminally accused politicians affect economic outcomes?" *Journal of Development Economics*, 141.

**Ferraz and Finan.** 2011. "Electoral accountability and corruption." *American Economic Review*, 101, 1274–1311.

**Zamboni and Litschig.** 2018. "Audit risk and rent extraction: evidence from a randomized evaluation in Brazil." *Journal of Development Economics*, 134, 133–149.

- **Discussion Session 9: Open Topics. Session 17.**
  
- **Conclusion and Review session. Session 18.**
  - **Main Reference**

**Nunn.** 2019. "Rethinking Economic Development." *Canadian Journal of Economics*, 52(4). 1349–1373.

- **Project presentations. Sessions 19–20.**

**Distance learning:**

Distance learning can be provided when necessary by implementing interactive virtual classrooms.