14.773: Political Economy of Institutions and Development

Daron Acemoglu and Abhijit Banerjee

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This course is intended as an introduction to the newly emerging field of political economy of institutions and development. Its purpose is to give you both a sense of the frontier research topics and a good command of the tools in the area. The reading list is intentionally long, to give those of you interested in the field an opportunity to dig deeper into some of the topics in this area. The lectures will cover the material with *’s in detail and also discuss the material without *’s, but in less detail.

Grading: The course grade will be a combination of a final exam and approximately 6 problem sets, with 25% weight on problem sets.

Course Information:

Professors
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Office Hours: Tue 4-5, E52-416

Lecture
TTh 10:30-12, E51-376

Recitation
F 4-5:30, E51-376
1 Introduction

1.1 Does Political Economy Matter? (DA, 1 lecture)


2 Modeling of Political Economy

2.1 Review: Static Models (Recitation)

This lecture will provide an introduction to models of collective choice and voting, and will consider an application of voting with multidimensional policy spaces to the problem of clientelism in the context of development economics.


2.2 Introduction to Dynamic Voting and Constitutional Choice (DA, 2 lectures)

This lecture provides a basic introduction of voting over distributive policies in dynamic models, and contrasts myopic versus non-myopic behavior by voters. It will also introduce ideas related to endogenous institutions and laws. We will focus on dynamic, game-theoretic models.
2.3 Review: Dynamic Games (Recitation)

This review lecture will go over the analysis of dynamic games, in particular, differences between Markov Perfect Equilibria and Subgame Perfect Equilibria, their properties and how they can be computed in simple games.

3 Modeling Institutions

This part of the course will focus on using the insights from the previous part to develop political economy models of institutions where we study simultaneously the consequences and the origins of institutions.

3.1 Labor Coercion (DA, 1 lecture)

This literature focuses on one type of economic institution under the domination of one group, coercive labor relations, to provide more insights on how different types of inefficiencies can emerge.


### 3.2 Political Economy of Weak States and State Building (DA, 2 lectures)

These lectures will discuss the role of the state and how weak states can become a barrier to economic development. They will then turn to see how and under what circumstances states form and why weak states persist.


### 3.3 Institutional Change and Democratization (DA, 1 lecture)

This lecture will first provide a basic model of nondemocratic politics and highlight central commitment problems involved in such interactions. It will then introduce the basic models of institutional change in the context of transitions from nondemocratic to democratic politics.
1. *Acemoglu, Daron, Lecture Notes, Chapters 17, 18 and 20.


### 3.4 Persistence and Dysfunctional Democracies (DA, 2 lectures)

This lecture expands on the analysis of dynamic models presented to discuss persistence of economic and political institutions and also how democracies that follow elite-dominated regimes may have a variety of different types of inefficiencies, including implicit elite dominance, clientelism, emergence of inefficient state institutions, and violence.


4 Beliefs, Culture and Institutions

4.1 Beliefs, Information and Politics (DA, 2 lectures)

This lecture will discuss the two-way interaction between between voting and beliefs, shaped by learning.


4.2 Culture, Values and Cooperation (DA, 2 lectures)

These two lectures will discuss some of the recent evidence suggesting persistence of culture and values, and recent models of culture and endogenous beliefs and how they interact with political economy and cooperation in society.


5 The challenge of making democracy work

5.1 Group conflict and voting (AB, 2 lectures)


5.2 Mediating group conflict (AB, 1 lecture)


3. *Banerjee, Abhijit, Donald Green and Rohini Pande, “Can voters be primed to choose better legislators? Experiment evidence from rural India”, mimeo Harvard University


5.3 Information and voting (AB, 4 lectures)

5.3.1 Theory


5.3.2 Information and ideology


5.3.3 Reactions to voter information campaigns


3. *Banerjee, Abhijit, Nil Enevoldsen, Rohini Pande and Michael Walton “Information as an Incentive: Experimental Evidence from Delhi” unpublished manuscript, 2018


5.4 Voting technology (AB, 1 lecture)


6 Collective Action

6.1 Constraints on Collective Action (AB, 3 lectures)

1. Olson, Mancur (1965), The Logic of Collective Action.


6.2 Collective Action Interventions (AB, 2 lectures)

Promoting collective action


**Can Stimulating Collective Actions Change Institutions?**


**Decentralization and local capture**


