



ECON 436: Political Economy and Economic Development

Units: 4.0

Term – Day – Time: Spring 2024 – Tuesday, Thursday – 10-11.20 am.

Location: [WPH B28](#)

Instructor: Augustin Bergeron

Office: Kaprielian Hall, Kap 306E

Office Hours: Wednesday 11 am-12.30 pm, KAP 306E

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Teaching Assistant: Marco Lo Faso

Discussion Sections (Weeks 2-7): Monday and Tuesday, 4-5 pm, KAP 305

Office Hours (Weeks 5-15): Wednesday 4-5 pm, KAP 305

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Course Description

In this class, we will study some of the key theoretical ideas for how politics affect economic development. We will also look at various empirical examples drawn from the developing world. Topics include the historical determinants of development, conflict, voting, media (mass media and social media), the political economy of social protection, the political economy of taxation, and corruption.

Learning Objectives

By the end of the course, students are expected to (1) have acquired a foundation for thinking critically about the role of political economy in understanding economic development; (2) demonstrate an understanding of the core theoretical concepts in political economy, and be able to support them with illustrations from developing countries; (3) understand empirical evidence in economics, including what makes a good empirical study and what empirical techniques can be used to understand the world better.

Prerequisite

ECON 303 (intermediate microeconomic theory) is the only prerequisite for this class.

Recommended Preparation

A basic understanding of statistics and econometrics is helpful but optional. The basics of linear regressions, hypothesis testing, instrumental variables, regression discontinuity designs, difference-in-differences, and randomized controlled trials will be covered in class and in TA

discussion sections. If you are interested in general background reading related to these econometric methods, I recommend reading Chapters 1-5 of Angrist and Pischke (2015) *Mastering 'Metrics: The Path from Cause to Effect*. Princeton University Press.

Course Notes

Classes will take the form of lectures. Lecture slides will be posted on Blackboard.

Grading Breakdown

Assignments	% of Grade
Participation	10
Three Problem Sets	30
Midterm	25
Final Exam	35
TOTAL	100

Required and Optional Readings

The readings for this class are primarily academic economics papers. I expect you to do the required readings before class (the ones labeled * on the syllabus). While a comprehensive grasp of every detail, equation, or regression table in the assigned readings is not required, it is important that you understand the authors' conclusions and the methodologies employed to derive those conclusions. I have also listed other papers I may discuss in class. For these papers (which are not marked with * on the syllabus), you are only responsible for the material discussed in class.

Problem Sets

The problem sets will contain theoretical and empirical exercises. For empirical exercises, students will be required to work with publicly available data. A software commonly used by economists and political scientists and available at USC Computing Centers is Stata. The basics of coding in Stata will be covered in a TA discussion section before the first problem set is due. Students can also use other programming languages - such as R or python - they are already familiar with to complete the assignments. The problem sets should be submitted via Blackboard by midnight on the due date. Everyone should prepare their own answer to problem sets, but the empirical parts may be submitted by groups of two people. In general, I encourage you to form small groups to review problem sets together. The first problem set will be due on **February 14**, the second problem set on **March 20**, and the third problem set on **April 17**.

TA Office Hours

To help you with the three problem sets there will be TA office hours on Wednesday 4-5 pm in room KAP 305 starting on week 5 (Feb 7th).

TA Discussion Sections

There will be TA discussion sections in weeks 2-7. Five discussion sections will cover the econometric techniques used in the class in more detail, and one will cover the basics of coding

in Stata. The discussion sections will be held on both Monday and Tuesday – or Tuesday and Wednesday when Monday is a university holiday, i.e., on week 2 and 7 – covering identical material. The sessions will take place from 4 to 5 pm in KAP 305. For each discussion section, the slides will be posted on Blackboard. The topics covered are the following:

1. Hypothesis Testing (Jan 16th or 17th) - Tue/Wed (Monday is Martin Luther King Junior Day)
2. Multivariate Regression Models & Instrumental Variables (Jan 22nd or 23rd)
3. Regression Discontinuity Designs (Jan 29th or 30th)
4. Introduction to Stata (Feb 5th or 6th)
5. Differences-in-Differences (Feb 12th or 13th)
6. Randomized Controlled Trials (Feb 20th or 21st) - Tue/Wed (Monday is Presidents' Day)

Slack: [Slack channel invite link](#)

We will be using Slack to communicate. The course Slack channel will be available for you to ask questions about the readings, slides, methods, assignments, and exams. Please prioritize asking questions on slack rather than via e-mail. You can join the slack using the link above.

Course Schedule

The following is a tentative outline of the topics covered during each class meeting.

Introduction and Overview

Lecture 1 – Why Study Political Economy and Development? (January 9)

No readings

Lecture 2 – How do we Study Political Economy and Development? Regressions and the Challenge of Causal Inference (January 11)

Joshua Angrist and Jörn-Steffen Pischke (2015) “Randomized Trials”, Chapter 1 in *Mastering ‘Metrics: The Path from Cause to Effect*. Princeton University Press.

Joshua Angrist and Jörn-Steffen Pischke (2015) “Regression”, Chapter 2 in *Mastering ‘Metrics: The Path from Cause to Effect*. Princeton University Press.

Section 1: Hypothesis Testing (January 16 or 17)

Historical Determinants of Economic Development

Lectures 3 & 4 – Leaders (January 16, 18)

* Benjamin Jones and Benjamin A. Olken (2009) "Hit or Miss? The Effect of Assassinations on Institutions and War", *American Economic Journal: Macroeconomics*, 1(2): 55-87. You can skip Section III ("Distinguishing Between Success and Failure").

Benjamin Jones and Benjamin A. Olken (2005) "Do Leaders Matter? National Leadership and Growth Since World War II," *Quarterly Journal of Economics*, 120 (3): 835-864.

William Easterly (2001) "Governments Can Kill Growth", Chapter 11 in *The Elusive Quest for Growth: Economists' Adventures and Misadventures in the Tropics*. MIT Press.

John Stackhouse (2001) "A Despot's Delight", Chapter 7 in *Out of Poverty*. Random House.

Section 2: Multivariate Regression Models & Instrumental Variables (January 22 or 23)

Lectures 4 & 5 - Colonial Legacy – Institutions and Policies (January 18, 23)

* Daron Acemoglu, Simon Johnson, and James Robinson (2001) "The Colonial Origins of Comparative Development: An Empirical Investigation", *American Economic Review*, 91(05): 1369-1401. You can skip Section V.B. ("Overidentification Tests").

Stelios Michalopoulos and Elias Papaioannou (2016) "The Long-Run Effects of the Scramble for Africa", *American Economic Review*, 106(7): 1802-48.

Sara Lowes and Eduardo Montero (2021) "The Legacy of Colonial Medicine in Central Africa", *American Economic Review*, 111(4): 1284-1314.

Lecture 6 - Colonial Legacy – Labor Coercion (January 25)

* Melissa Dell (2010) "The Persistent Effects of Peru's Mining Mita", *Econometrica*, 78(6): 1863-1903. You can skip Section 4 ("Channels of Persistence").

Sara Lowes and Eduardo Montero (2021) "Concessions, Violence, and Indirect Rule: Evidence from the Congo Free State", *Quarterly Journal of Economics*, 136(4): 2047-2091.

Section 3: Regression Discontinuity Designs (January 29 or 30)

Lecture 7 - Pre-Colonial Legacy - Slave Trades (January 30)

* Nathan Nunn (2008) "Long Term Effects of Africa's Slave Trades", *Quarterly Journal of Economics*, 123(1): 139-176. You can skip Section VI ("Possible Channels of Causality").

Nathan Nunn and Leonard Wantchekon (2011) "The Slave Trade and the Origins of Mistrust in Africa", *American Economic Review*, 101(7): 3221-52.

Miriam Bruhn and Francisco Gallego (2012) "Good, Bad, and Ugly Colonial Activities: Do They Matter for Economic Development?" *The Review of Economics and Statistics*, 94(2): 433-461.

Ellora Derenoncourt, Kim Chi Hyun, Moritz Kuhn, and Moritz Schularick (2023) "Wealth of Two Nations: The U.S. Racial Wealth Gap, 1860-2020, *The Quarterly Journal of Economics*, forthcoming.

Lecture 8 - Post-Colonial Legacy - Cold War and CIA Covert Operations (February 1)

* *The New Yorker*, "The Real Story Behind Patrice Lumumba's Assassination", October 30, 2023.

Daniel Berger, William Easterly, Nathan Nunn, and Shanker Satyanath (2013) "Commercial Imperialism? Political Influence and Trade During the Cold War", *American Economic Review*, 103(2): 863-896.

Daniel Berger, Alejandro Corvalan, William Easterly, and Shanker Satyanath (2013) "Do Superpower Interventions Have Short and Long Term Consequences for Democracy?", *Journal of Comparative Economics*, 41(1): 22-34.

[Section 4: Introduction to Stata \(February 5 or 6\)](#)

Conflict

Lecture 9 – Why do Wars Happen? (February 6)

* Matthew O. Jackson and Massimo Morelli (2007), "Political Bias and War," *American Economic Review* 97 (4) 1353-1373. Only up to Section II.C, i.e., you can skip Section II.D ("Endogenous Bias"), III ("Stability and Alliances"), and IV ("Further Results and Discussion")

Christopher Blattman (2022) "Introduction" and "Why we Don't Fight", Chapters 1 and 2 in *Why we Fight: The Roots of War and the Paths to Peace*. Viking.

Eoin F. McGuirk, Nathaniel Hilger, and Nicholas Miller (2023) "No Kin in the Game: Moral Hazard and War in the U.S. Congress", *Journal of Political Economy*, 131(9), 2370-2401.

Lecture 10 – Civil War (February 8)

* Edward Miguel, Shanker Satyanath, and Ernest Sergenti (2004), "Economic Shocks and Civil Conflict: An Instrumental Variables Approach," *Journal of Political Economy*, Vol.112 (4) 725-753.

Oeindrilla Dube and Juan F. Vargas (2013), "Commodity price shocks and civil conflict: Evidence from Colombia." *The Review of Economic Studies*, 80(4), 1384-1421.

Eoin McGuirk and Marshall Burke (2020), "The Economic Origins of Conflict in Africa", *Journal of Political Economy*, 128(10): 3940-3997.

Alberto Abadie and Javier Garbeazabal (2003), "The Economic Costs of Conflict: A Case Study of the Basque Country," *American Economic Review.*, Vol. 93 (1) 113-132.

Edward Miguel and Gérard Roland (2011). "The long-run impact of bombing Vietnam." *Journal of Development Economics*, 96(1), 1-15.

Section 5: Difference-in-Differences (February 12 or 13)

Voting

Lecture 11 – The Median Voter Theorem (February 13)

Allan H. Meltzer and Scott F. Richards (1981) "A Rational Theory of the Size of Government", *Journal of Political Economy*, 89(5): 914-927.

Problem Set 1 due (February 14)

Lecture 12 – Effects of Changes in the Electorate on Policies (February 15)

* Grant Miller (2008) "Women's Suffrage, Political Responsiveness, and Child Survival in American History", *Quarterly Journal of Economics*, 123(3): 1287-1327.

Elizabeth U. Cascio and Ebonya Washington (2014) "Valuing the Vote: The Redistribution of Voting Rights and State Funds following the Voting Rights Act of 1965", *Quarterly Journal of Economics*, 129(1), 379-433.

Thomas Fujiwara (2015) "Voting Technology, Political Responsiveness, and Infant Health: Evidence from Brazil", *Econometrica*, 83(2): 423-464.

Section 6: Randomized Controlled Trials (February 20 or 21)

Lecture 13 – Effects of Changes in Candidates on Policies (February 20)

* Raghavendra Chattopadhyay and Esther Duflo (2004) "Women as Policymakers: Evidence from a Randomized Policy Experiment in India", *Econometrica*, 72(5): 1409-1443. You can skip Section 3 ("Theory").

Rohini Pande (2003) "Can Mandated Political Representation Increase Policy Influence for Disadvantaged Minorities", *American Economic Review*, 93(4): 1132-1151.

Lecture 14 – Rewarding and Punishing Politicians (February 22)

* Claudio Ferraz and Frederico Finan (2008) “Exposing corrupt politicians: the effects of Brazil's publicly released audits on electoral outcomes”, *Quarterly journal of economics*, 123(2), pp 703-745. You can skip Section IV.C. (“The Effects of the Audits by Corruption and Local Media”) and IV.D. (“Discussion”).

Marco Manacorda, Edward Miguel and Andrea Vigorito (2011) “Government Transfers and Political Support”, *American Economic Journal: Applied Economics*, 3(3): 1-28.

Claudio Ferraz and Frederico Finan (2011) “Electoral Accountability and Corruption in Local Governments: Evidence from Audit Reports”, *American Economic Review*, 101(4), pp 1274-1311.

Lecture 15 - Vote Buying, Violence, and Intimidation (February 27)

* Chang-Tai Hsieh, Edward Miguel, Daniel Ortega, and Francisco Rodriguez (2011) “The Price of Political Opposition: Evidence from Venezuela’s Maisanta”, *American Economic Journal: Applied Economics*, 3(2): 196-214.

Frederico Finan and Laura Schechter (2012) “Vote-Buying and Reciprocity”, *Econometrica*, 80(2): 863-881.

Christopher Blattman, Horacio Larreguy, Benjamin Marx, Otis Reid (2022) “Eat Widely, Vote Wisely: Lessons from a Campaign Against Vote Buying in Uganda”, Working Paper.

Review and Midterm (February 29, March 5)

Media

Lecture 16 – Mass Media (March 7)

* David Yanagizawa-Drott (2014) “Propaganda and Conflict: Theory and Evidence from the Rwandan Genocide”, *Quarterly Journal of Economics*, 129(4): 1947-1994.

Stefano DellaVigna and Ethan Kaplan (2007) “The Fox News Effect: Media Bias and Voting”, *Quarterly Journal of Economics*, 112(3): 1187-1234.

Maja Adena, Ruben Enikolopov, Maria Petrova, Veronica Santarosa and Katia Zhuravskay (2015). “Radio and the Rise of the Nazis in Prewar Germany”, *Quarterly Journal of Economics*, 130(4): 1885-1939.

Lecture 17 - Social Media (March 19)

* Ro'ee Levy (2021) "Social Media, News Consumption, and Polarization: Evidence from a Field Experiment." *American Economic Review*, 111(3): 831-70.

Ruben Enikolopov, Alexey Makarin, and Maria Petrova (2020). "Social Media and Protest Participation: Evidence from Russia", *Econometrica*, 88(4), pp 1479-1514.

Leopoldo Fergusson and Carlos Molina (2021) "Facebook Causes Protests", Working Paper.

Problem Set 2 due (March 20)

Political Economy of Social Protection

Lecture 18 – Targeting and Program Design (March 21)

* Vivi Alatas, Abhijit Banerjee, Rema Hanna, Benjamin A. Olken, Julia Tobias (2012) "Targeting the Poor: Evidence from a Field Experiment in Indonesia", *American Economic Review*, 102(4): 1206-1240.

Vivi Alatas, Ririn Purnamasari, Matthew Wai-Po, Abhijit Banerjee, Benjamin A. Olken, and Rema Hanna (2016) "Self-Targeting: Evidence from a Field Experiment in Indonesia". *Journal of Political Economy* 124 (2): 371–427.

Lecture 19 – Governance (March 26)

* Abhijit Banerjee, Rema Hanna, Jordan Kyle, Benjamin A. Olken, and Sudarno Sumarto (2018) "Tangible Information and Citizen Empowerment: Identification Cards and Food Subsidy Program in Indonesia", *Journal of Political Economy*, 126(2): 451-491.

Political Economy of Taxation

Lecture 20 - Building Fiscal Capacity: Rates and Enforcement (March 28)

* Augustin Bergeron, Gabriel Tourek, and Jonathan Weigel (2023) "The State Capacity Ceiling on Tax Rates: Evidence from Randomized Tax Abatements in the DRC", forthcoming, *Econometrica*.

Chatib Basri, Mayara Felix, Rema Hanna, and Benjamin A. Olken (2021) "Tax Administration versus Tax Rates: Evidence from Corporate Taxation in Indonesia", *American Economic Review*, 111(12): 3827-71.

Timothy Besley and Torsten Persson (2014) "Why Do Developing Countries Tax So Little?", *Journal of Economic Perspectives*, 28(4): 99-120.

Lecture 21 - Building Fiscal Capacity: Information (April 2)

* Pablo Balan, Augustin Bergeron, Gabriel Tourek, and Jonathan Weigel (2022) “Local Elites as State Capacity: How City Chiefs Use Local Information to Increase Tax Compliance in the D.R. Congo”, *American Economic Review* 112(3): 762-97.

Dina Pomeranz (2015) “No Taxation without Information: Deterrence and Self-Enforcement in the Value Added Tax”, *American Economic Review*, 105(8): 2539-69.

No lecture on April 4

Lecture 22 – Taxation and Political Accountability (April 9)

* Jonathan Weigel (2020) “The Participation Dividend of Taxation: How Citizens in Congo Engage More with the State When it Tries to Tax Them”, *Quarterly Journal of Economics*, 135 (4): 1849-1903.

Augustin Bergeron, Elie Kabue Ngindu, Gabriel Tourek, and Jonathan Weigel (2023) “Does Collecting Taxes Erode the Accountability of Informal Leaders? Evidence from the D.R.C.”, Working Paper.

Corruption

Lecture 23 – Measurement, Magnitude and Efficiency Costs (April 11)

* Marianne Bertrand, Simeon Djankov, Rema Hanna, and Sendhil Mullainathan (2007) “Obtaining a Driving License in India: An Experimental Approach to Studying Corruption”, *Quarterly Journal of Economics*, 122 (4): 1639–1676.

Ritva Reinikka and Jacob Svensson (2004) "Local Capture: Evidence from a Central Government Transfer Program in Uganda," *Quarterly Journal of Economics*, 119(2) 679-705.

Abhijit Banerjee, Rema Hanna, and Sendhil Mullainathan (2012) “Corruption”, Chapter 27 in *Handbook of Organizational Economics*, edited by Robert Gibbons and John Roberts, Princeton University Press.

Lecture 24 - Corrupt Official’s Decision (April 16)

* Benjamin A. Olken (2007) « Monitoring Corruption: Evidence from a Field Experiment in Indonesia”, *Journal of Political Economy*, 115(2): 200-249.

Martina Bjorkman and Jakob Svensson (2009) "Power to the People: Evidence from a Randomized Field Experiment on Community-Based Monitoring in Uganda", *Quarterly Journal of Economics*, 124(2): 735-769.

Rafael Di Tella and Ernesto Schargrodsky (2003) "The Role of Wages and Auditing during a Crackdown on Corruption in the City of Buenos Aires", *Journal of Law and Economics*, 46(1): 269-292.

Gary Becker and George Stigler (1974) "Law Enforcement, Malfeasance, and Compensation of Enforcers", *The Journal of Legal Studies*, 3(1): 1-18.

Problem Set 3 due (April 17)

Lecture 25 - The Industrial Organization of Corruption (April 18)

* Benjamin A. Olken and Patrick Barron (2009) "The Simple Economics of Extortion: Evidence from Trucking in Aceh", *Journal of Political Economy*, 117(3): 417-452.

Andrei Shleifer and Robert W. Vishny (1993) "Corruption", *Quarterly Journal of Economics*, 108(3): 599-617.

Raul Sanchez de la Sierra, Kristof Titeca, Haoyang (Stan) Xie, Albert Malukisa Nkuku, Aimable Amani Lameke (2022) "The Real State: Inside the Congo's Traffic Police Agency", Working Paper.

Lecture 26: Catch up lectures or Movie & Cookies (**April 23**)

Review and Final Exam (April 25, May 7)

Support Systems

[Counseling and Mental Health](#) - (213) 740-9355 – 24/7 on call

Free and confidential mental health treatment for students, including short-term psychotherapy, group counseling, stress fitness workshops, and crisis intervention.

[988 Suicide and Crisis Lifeline](#) - 988 for both calls and text messages – 24/7 on call

The 988 Suicide and Crisis Lifeline (formerly known as the National Suicide Prevention Lifeline) provides free and confidential emotional support to people in suicidal crisis or emotional distress 24 hours a day, 7 days a week, across the United States. The Lifeline is comprised of a national network of over 200 local crisis centers, combining custom local care and resources with national standards and best practices. The new, shorter phone number makes it easier for people to remember and access mental health crisis services (though the previous 1 (800) 273-8255 number will continue to function indefinitely) and represents a continued commitment to those in crisis.

[Relationship and Sexual Violence Prevention Services \(RSVP\)](#) - (213) 740-9355(WELL) – 24/7 on call

Free and confidential therapy services, workshops, and training for situations related to gender- and power-based harm (including sexual assault, intimate partner violence, and stalking).

[Office for Equity, Equal Opportunity, and Title IX \(EEO-TIX\)](#) - (213) 740-5086

Information about how to get help or help someone affected by harassment or discrimination, rights of protected classes, reporting options, and additional resources for students, faculty, staff, visitors, and applicants.

[Reporting Incidents of Bias or Harassment](#) - (213) 740-5086 or (213) 821-8298

Avenue to report incidents of bias, hate crimes, and microaggressions to the Office for Equity, Equal Opportunity, and Title for appropriate investigation, supportive measures, and response.

[The Office of Student Accessibility Services \(OSAS\)](#) - (213) 740-0776

OSAS ensures equal access for students with disabilities through providing academic accommodations and auxiliary aids in accordance with federal laws and university policy.

[USC Campus Support and Intervention](#) - (213) 740-0411

Assists students and families in resolving complex personal, financial, and academic issues adversely affecting their success as a student.

[Diversity, Equity and Inclusion](#) - (213) 740-2101

Information on events, programs and training, the Provost's Diversity and Inclusion Council, Diversity Liaisons for each academic school, chronology, participation, and various resources for students.

[USC Emergency](#) - UPC: (213) 740-4321, HSC: (323) 442-1000 – 24/7 on call

Emergency assistance and avenue to report a crime. Latest updates regarding safety, including ways in which instruction will be continued if an officially declared emergency makes travel to campus infeasible.

[USC Department of Public Safety](#) - UPC: (213) 740-6000, HSC: (323) 442-1200 – 24/7 on call

Non-emergency assistance or information.

[Office of the Ombuds](#) - (213) 821-9556 (UPC) / (323-442-0382 (HSC)

A safe and confidential place to share your USC-related issues with a University Ombuds who will work with you to explore options or paths to manage your concern.

[Occupational Therapy Faculty Practice](#) - (323) 442-2850 or otfp@med.usc.edu

Confidential Lifestyle Redesign services for USC students to support health promoting habits and routines that enhance quality of life and academic performance.