ECON 436: Political Economy and Economic Development

Units: 4.0  
Location: WPH B28

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

<table>
<thead>
<tr>
<th>Assignments</th>
<th>% of Grade</th>
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<tbody>
<tr>
<td>Participation</td>
<td>10</td>
</tr>
<tr>
<td>Three Problem Sets</td>
<td>30</td>
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<tr>
<td>Midterm</td>
<td>25</td>
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<tr>
<td>Final Exam</td>
<td>35</td>
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<td><strong>TOTAL</strong></td>
<td><strong>100</strong></td>
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**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)


Section 1: Hypothesis Testing (January 16 or 17)

Historical Determinants of Economic Development

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


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

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


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


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

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


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


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.


Lecture 10 – Civil War (February 8)


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

Voting

Lecture 11 – The Median Voter Theorem (February 13)


Problem Set 1 due (February 14)

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


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

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


Lecture 14 – Rewarding and Punishing Politicians (February 22)


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


Review and Midterm (February 29, March 5)

Media

Lecture 16 – Mass Media (March 7)


Lecture 17 - Social Media (March 19)


Problem Set 2 due (March 20)

Political Economy of Social Protection

Lecture 18 – Targeting and Program Design (March 21)


Lecture 19 – Governance (March 26)


Political Economy of Taxation

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


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


No lecture on April 4

Lecture 22 – Taxation and Political Accountability (April 9)


Corruption

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


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


**Problem Set 3 due (April 17)**

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


**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 otp@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.