

**Development and Institutions
LECON2822**

Credits: 5 ECTS

Course objectives

The goal of the course is to present the latest developments of the research on the role of institutions and development. The students will work on both theoretical and empirical papers that will be presented during the course. Some exercises will make sure that they are well understood and mastered by the students. Class presentations of articles will also ensure that students are able to present and understand research papers by themselves.

We will question the role of "institutions" in the development of countries. Starting from the observations that differences between countries cannot be explained only by geographical or endowment differences, we will then see how history matters, and that institutional arrangements can have long lasting impact. To cover the various dimensions of "institutions": we will combine cross country comparisons of national level institutions and within country local institutional variation, as well as take into account both "formal" and "informal" institutions. Taking the example of colonization both at the macro and micro level, we will show that the institutional structure has central role in the level of development of countries. Turning to informal institutions, we will then see what role they play, and how they interact with the development process. More specifically, we will turn to the other side of the relationship between development and institutions, showing how institutions are in turn affected by development. Finally, we will study an aspect of institutional arrangements that has been considered central to development: property rights, and more specifically, various arrangements over land ownership.

Learning outcomes

Oral presentation skills: at the end of the course, the students will have improved their ability to work in group to present articles in front of an audience, as well as discuss them with other students and the professor

Critical thinking: developing a critical view on the latest development of economic research.

Evaluation

Oral presentation (25%) Written exam (75%)

1. Introduction: What are institutions?

*Acemoglu, Daron, Simon Johnson and James A. Robinson (2002) “Reversal of Fortune: Geography and Institutions in the Making of the Modern World Income Distribution,” Quarterly Journal of Economics, 118, 1231-1294.

Botticini & Eckstein. 2005. Jewish Occupational Selection: Education, Restrictions, or Minorities. Journal of Economic History.

Lin & Nugent, Institutions and Economic Development. Handbook of Development Economics, Vol. 3A. 1995

2. Do Institutions matter ?

*Acemoglu, Daron, Simon Johnson and James A. Robinson (2001) “The Colonial Origins of Comparative Development: An Empirical Investigation,” American Economic Review, December, 91, 5, 1369-1401.

*Ghatak & Jiang JDE 2002 A simple model of inequality, occupational choice & development

Glaeser, La Porta, Lopez de Silanes, Schleifer (2004). Do institutions cause growth ? Journal of Economic Growth, Vol 9 N3.

Hall, Robert E. and Charles I. Jones (1999) “Why Do Some Countries Produce so much more Output per Worker than Others?” Quarterly Journal of Economics, 114, 83-116.

Jones, Benjamin F. and Benjamin A. Olken (2005) “Do Leaders Matter? National Leadership and Growth Since World War II,” Quarterly Journal of Economics, 120,

835-864.

La Porta R., F. Lopez-de-Silanes, A. Shleifer and R. Vishny, 1999. The Quality of Government, *Journal of Law, Economics and Organization*, 15(1), 222-279.

Rodrik, Dani, Arvind Subramanian and Francesco Trebbi, (2004) Institutions Rule: The Primacy of Institutions over Geography and Integration in Economic Development *Journal of Economic Growth* 9: 131-165.

3. Empirical evidence on the role of institutions: Colonisation

*Banerjee, Abhijit and Lakshmi Iyer (2005) "History, Institutions and Economic Performance: The Legacy of Colonial Land Tenure Systems in India." *American Economic Review*, 95, 1190-1213

*Dell, Melissa. 2011. "The persistent effect of Peru's mining mita", *Econometrica*, 78(6), 2010.

Huillery E., 2011. "The Impact of European Settlement within French West Africa. Did pre-colonial prosperous areas fall behind?", *Journal of African Economics*

Huillery E., 2009. " History Matters: The Long-Term Impact of Colonial Public Investments in French West Africa ", *American Economic Journal: Applied Economics*.

Lee & Lemieux 2010. Regression Discontinuity Design in Economics. *Journal of Economic Literature*.

4. 2h Property rights + 1h Presentations on "Colonisation"

Field, Erica. 2007. Entitled to work: urban property rights and labor supply in Peru. *Quarterly Journal of Economics*.

*Field, Erica and Maximo Torero, [2006], "Do Property Titles Increase Credit Access Among the Urban Poor ? Evidence from a Nationwide Titling Program," Mimeo. Harvard.

Jean-Marie Baland and James A Robinson (2008) "Land and Power: theory and evidence from Chile", *American Economic Review*

*Banerjee, A.V., P. Gertler and M. Ghatak (2002) : "Empowerment and Efficiency - Tenancy Reform in West Bengal", *Journal of Political Economy*.

Besley, T. (1995): "Property Rights and Investment Incentives: Theory and Evidence from Ghana." *Journal of Political Economy*, 103, 5, p. 903-937.

Besley, T. and M. Ghatak (2008): "Property Rights and Economic Development",
Forthcoming in D.

Rodrik and M. Rosenzweig (ed.s) *Handbook of Development Economics V*, North Holland, 2009.

Hornbeck, Richard . Barbed Wire: Property Rights and Agricultural Development., *Quarterly Journal of Economics*. 125(2):767-810.

5. Democracy and Development

Besley and Burgess. 2002. The political economy of government responsiveness: theory and evidence from India. *Quarterly Journal of Economics*.

Kudamatsu. Has democratization reduced infant mortality in Sub Saharan Africa ? Evidence from micro data. *Journal of the European Economic Association*. 2012.

Persson, Torsten (2005). Forms of Democracy, policy and economic development. Working paper.

Papaioannou and Siourounis. Democratisation and Growth. *Economic Journal*, 2008

Przeworski and Limongi. Political Regimes and Economic Growth. *Journal of Economic Perspective*. 1993

6. Patronage politics and 1h Presentations Property rights

Camacho and Conover, 2011. Manipulation of Social Program Eligibility. American Economic Journal : Economic Policy.

Chang-Tai Hsieh, Edward Miguel, Daniel Ortega, and Francisco Rodriguez The Price of Political Opposition: Evidence from Venezuela's Maisanta American Economic Journal: Applied Economics 3 (April 2011)

*Asim Khwaja and Atif Mian. Do Lenders Favor Politically Connected Firms? Rent Provision in an Emerging Financial Market. The Quarterly Journal of Economics, Vol. 120, No. 4 (Nov., 2005), pp. 1371-1411

Manacorda, Miguel and A. Vigorito. Government Transfers and Political Support, American Economic Journal: Applied Economics, 3(3), July 2011

7. Informal Institutions and 1h Presentations Democracy and Development

Field, Erica, Seema Jayachandra et Rohini Pande. 2010. Do Traditional Institutions Constrain Female Entrepreneurship? A Field Experiment on Business Training in India. American Economic Review Papers and Proceedings, Vol. 100, N.2.

Greif 1993 AER Contract enforceability and economic institutions in early trade: the Maghribi trader's coalition.

Hoff, Karla et Priyanka Pandey. 2006. Discrimination, Social Identity, and Durable Inequalities. American Economic Review Papers and Proceedings, Vol.96, N.2.

*Munshi, Kaivan et Mark Rosenzweig. 2006. Traditional Institutions Meet the Modern World: Caste, Gender, and Schooling Choice in a Globalizing Economy. American Economic Review, Vol. 96, N. 4.

Rosenzweig, Mark et Stark, Oded. 1989. Consumption Smoothing, Migration, and Marriage: Evidence from Rural India. Journal of Political Economy, Vol. 97, No. 4

8. Informal Institutions 2 + Presentation “Informal Institutions 1”

Aldashev, Chaaara, Platteau & Wahhaj. 2012. Using the law to change the custom. Journal of development Economics.

Eiffert, Miguel, Posner. 2010. Political Competition and Ethnic Identification in Africa. American Journal of Political Science.

Kranton, Rachel. 1996. Reciprocal Exchange: A Self Sustaining System. American Economic Review, Vol. 86, N.4.

La Ferrara & Milazzo. 2012. Customary Norms, Inheritance and Human Capital: Evidence from a Reform of the Matrilineal System in Ghana. Working Paper.

Posner, Daniel. 2004. The Political Salience of Cultural Difference: Why Chewas and Tumbukas Are Allies in Zambia and Adversaries in Malawi. American Political Science Review.

*Roy, Sanchary. 2012. Empowering women: inheritance rights and female education in India. Working Paper