

# SYLLABUS

## International Political Economy of Developing Countries

PS-2543  
Spring 2018  
4430 Wesley W Posvar Hall – W 2-4:30PM

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INSTRUCTOR : Dr. Michaël Aklin  
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OFFICE HOURS : Wed 10:30-12pm, or by appointment

### Course Objectives

This graduate course is devoted to the study of international and comparative political economy in developing and emerging countries. The aim of this course is to analyze the determinants of welfare in these regions. These countries tend to face very different sets of constraints than their wealthier counterparts. The main focus of the course is to study the political economy of income and examine how domestic and international incentives shape crucial parameters of economic welfare (e.g. trade, monetary, or education policies).

The main objectives are the following.

- By the end of the class, students should be familiar with the literature on growth (long-term) and finance (short-term), as well as what the politics of these are.
- Students should have developed a project that could/will lead to a publishable paper.

### Requirements

**Research paper: 60%.** Students need to submit a research paper that includes:

- Intro (includes relevant literature)
- Theory
- Research design (+data)
- Results
- Conclusion
- Appendix (if needed)

In exceptional cases, the paper may omit results. This may be the case if no data can be realistically collected during the semester, or if the paper is a pure (formal) theory paper. This is to be discussed with the instructor within the first three weeks of the semester. After this, I will assume that students will be able to write the full empirical paper (with preliminary data if needs to be).

The semester will offer plenty of opportunities for students to present their work.

**Presentations: 30%.** There will be two kinds of presentations:

Presentation of students' own research

Presentation of readings. This should include:

- Presenting the research question
- Briefly providing a context to this question (i.e. literature review)
- Present the theory
- Present the research design and the data
- Present the empirical results
- Discuss weaknesses and how they could be solved
- Discuss potential research projects that could be done as follow-ups

**Participation: 10%.** This is based on regular attendance and (mostly) on active participation in class.

## **Textbooks & Readings**

There is no required textbook. For students who have had no exposure to macroeconomics, I would recommend Charles I. Jones. *Macroeconomics*. W. W. Norton, New York, 3rd edition, 2013.

## **Misc.**

Cheating/plagiarism will not be tolerated. Students suspected of violating the University of Pittsburgh Policy on Academic Integrity, from the February 1974 Senate Committee on Tenure and Academic Freedom reported to the Senate Council, will be required to participate in the outlined procedural process as initiated by the instructor. A minimum sanction of a zero score for the quiz or exam will be imposed.

View the complete policy at [www.cfo.pitt.edu/policies/policy/02/02-03-02.html](http://www.cfo.pitt.edu/policies/policy/02/02-03-02.html).

# Class Schedule

The schedule is subject to change.

## Introduction: Welfare

- Robert E. Hall and Charles I. Jones. Why do some countries produce so much more output per worker than others? *The Quarterly Journal of Economics*, 114(1):83–116, 1999

## Long-Term Welfare

### Persistency

- Diego Comin, William Easterly, and Erick Gong. Was the wealth of nations determined in 1000 bc? *American Economic Journal: Macroeconomics*, 2:65–97, 2010
- Enrico Spolaore and Romain Wacziarg. The diffusion of development. *Quarterly Journal of Economics*, 124(2):469–529, 2009
- Melissa Dell. The persistent effects of peru’s mining mita. *Econometrica*, 78(6):1863–1903, 2010
- Edward Miguel and Gérard Roland. The long-run impact of bombing vietnam. *Journal of Development Economics*, 96(1):1–15, 2011
- Richard Hornbeck. The enduring impact of the american dust bowl: Short- and long-run adjustments to environmental catastrophe. *The American Economic Review*, 102(4):1477–1507, 2012

### Leadership

- Benjamin F. Jones and Benjamin A. Olken. Do leaders matter? national leadership and growth since world war ii. *Quarterly Journal of Economics*, 120(3):835–864, 2005
- Mara Faccio. Politically connected firms. *American economic review*, 96(1):369–386, 2006
- Pablo Querubin and James M Snyder Jr. The control of politicians in normal times and times of crisis: Wealth accumulation by us congressmen, 1850–1880. *Quarterly Journal of Political Science*, 8:409–450, 2013
- Thomas Ferguson and Hans-Joachim Voth. Betting on hitler – the value of political connections in nazi germany. *Quarterly Journal of Economics*, 123(1):101–137, 2008
- Asim Ijaz Khwaja and Atif Mian. Do lenders favor politically connected firms? rent provision in an emerging financial market. *The Quarterly Journal of Economics*, 120(4):1371–1411, 2005
- Maria Carreri. Can good politicians compensate for bad institutions? Working Paper, 2017
- **Background:** Ernesto Dal Bó, Frederico Finan, Olle Folke, Torsten Persson, and Johanna Rickne. Who becomes a politician? *Quarterly Journal of Economics*, 132(4):1877–1914, 2017

### Human Capital

- **Background:** Robert J Barro. Human capital and growth. *American Economic Review*, 91(2):12–17, 2001
- **Background:** Chapter 1, Claudia Goldin and Lawrence F. Katz. *The Race between Education and Technology*. Belknap Press, Cambridge, MA, 2010
- Jean-Philippe Stijns. Natural resource abundance and human capital accumulation. *World Development*, 34(6):1060–1083, 2006

- Davide Cantoni and Noam Yuchtman. Medieval universities, legal institutions, and the commercial revolution. *Quarterly Journal of Economics*, 129(2):823–887, 2014
- Mara P Squicciarini and Nico Voigtländer. Human capital and industrialization: Evidence from the age of enlightenment. *The Quarterly Journal of Economics*, 130(4):1825–1883, 2015
- Robin Harding and David Stasavage. What democracy does (and doesn't do) for basic services: School fees, school inputs, and african elections. *Journal of Politics*, 76(1):229–245, 2013

## Social Capital

- **Background:** Robert D. Putnam. *Bowling Alone*. Simon & Schuster, New York, 2001
- Luigi Guiso, Paola Sapienza, and Luigi Zingales. Long term persistence. NBER Working Paper, August 2008
- Irena Grosfeld, Alexander Rodnyansky, and Ekaterina Zhuravskaya. Persistent antimarket culture: A legacy of the pale of settlement after the holocaust. *American Economic Journal: Economic Policy*, 5(3): 189–226, 2013
- Nathan Nunn and Leonard Wantchekon. The slave trade and the origins of mistrust in africa. *NBER Working Paper*, 14783:1–50, 2009
- Shanker Satyanath, Nico Voigtlaender, and Hans-Joachim Voth. Bowling for fascism: Social capital and the rise of the nazi party. NBER Working Paper, July 2013
- Lamar Pierce and Jason A. Snyder. The historical slave trade and firm access to finance in africa. *The Review of Financial Studies*, 31(1):142–174, 2018

## Institution

- **Background:** Jose A. Cheibub, Jennifer Gandhi, and James Vreeland. Democracy and dictatorship revisited. *Public Choice*, 143(1):67–101, 2010
- Daron Acemoglu, Simon Johnson, and James A. Robinson. The colonial origins of comparative development: An empirical investigation. *The American Economic Review*, 91(5):1369–1401, 2001
- Edward L. Glaeser, Rafael La Porta, Florencio Lopez-de-Silanes, and Andrei Shleifer. Do institutions cause growth? *Journal of Economic Growth*, 9(3):271–303, 2004
- James Feyrer and Bruce Sacerdote. Colonialism and modern income: Islands as natural experiments. *The Review of Economics and Statistics*, 91(2):245–262, November 2009
- Rafael La Porta, Florencio Lopez de Silanes, and Andrei Shleifer. The economic consequences of legal origins. *Journal of Economic Literature*, 46(2):285–332, June 2008
- Stelios Michalopoulos and Elias Papaioannou. National institutions and subnational development in africa. *Quarterly Journal of Economics*, 129(1):151–213, 2013

## Trade

- Avner Greif. Contract enforceability and economic institutions in early trade: The maghribi traders' coalition. *American Economic Review*, 83(3):525–548, 1993
- Enrico Spolaore and Romain Wacziarg. The diffusion of development. *Quarterly Journal of Economics*, 124(2):469–529, 2009
- Ann Harrison and Andrés Rodríguez-Clare. Trade, foreign investment, and industrial policy for developing countries. NBER Working Paper 15261, 2009
- Helen V Milner and Keiko Kubota. Why the move to free trade? democracy and trade policy in the developing countries. *International Organization*, 59(1):107–143, 2005

## Inequality

- Louis Putterman and David N. Weil. Post-1500 population flows and the long-run determinants of economic growth and inequality. *The Quarterly Journal of Economics*, 125(4):1627–1682, 2010
- Ufuk Akcigit, John Grigsby, and Tom Nicholas. The rise of american ingenuity: Innovation and inventors of the golden age. NBER Working Paper 23047, January 2017
- Òscar Jordà, Katharina Knoll, Dmitry Kuvshinov, Moritz Schularick, and Alan M. Taylor. The rate of return on everything, 1870–2015. Working Paper, November 2017
- Facundo Alvaredo and Leonardo Gasparini. Recent trends in inequality and poverty in developing countries. Documento de Trabajo 151, November 2013

## Short-Term Welfare

### Sovereign Debt Crises

- Mamone.
- Mauricio Drelichman and Hans-Joachim Voth. Serial defaults, serial profits: Returns to sovereign lending in habsburg spain, 1566-1600. *Explorations in Economic History*, 48(1):1–19, 2011b
- Mauricio Drelichman and Hans-Joachim Voth. Lending to the borrower from hell: Debt and default in the age of philip ii. *The Economic Journal*, 121(557):1205–1227, 2011a
- Michael Tomz. *Reputation and International Cooperation: Sovereign Debt across Three Centuries*. Princeton University Press, Princeton, 2007
- **Background:** Christina D. Romer and David H. Romer. Why some times are different: Macroeconomic policy and the aftermath of financial crises. NBER Working Paper 23931, October 2017

### Banking Crises

- **Background:** Carmen M. Reinhart and Kenneth S. Rogoff. *This Time is Different: Eight Centuries of Financial Folly*. Princeton University Press, Princeton, NJ, 2009
- Òscar Jordà, Moritz HP. Schularick, and Alan M. Taylor. When credit bites back. *Journal of Money, Credit and Banking*, 45(s2):3–28, 2013
- Charles W. Calomiris and Stephen H. Haber. *Fragile by Design*. Princeton University Press, Princeton, 2014
- Jeremy Atack, Matthew S. Jaremski, and Peter L. Rousseau. Did railroads make antebellum u.s. banks more sound? NBER Working Paper, April 2014
- Charles Calomiris. Banking crises and the rules of the game. *NBER Working Paper*, 15403, October 2009

### Money and Monetary Policies

- W. Kindred Winecoff. Bank regulation, macroeconomic management, and monetary incentives in oecd economies. *International Studies Quarterly*, pages n/a–n/a, 2013
- Michaël Aklin and Andreas Kern. Is central bank independence always a good thing? Working Paper, August 2017
- Barry Eichengreen, Arnaud J. Mehl, and Livia Chitu. Mars or mercury? the geopolitics of international currency choice. NBER Working Paper 24145, December 2017
- Atish R Ghosh, Jonathan D Ostry, and Mahvash S Qureshi. When do capital inflow surges end in tears? *The American Economic Review*, 106(5):581–585, 2016

## Capital Flows, Inflation, Recovery, etc.

- **Background:** Stephen Morris and Hyung Song Shin. Global games: Theory and applications. *Cowles Foundation Discussion Paper*, 1275R, August 2001
- Shanker Satyanath. *Globalization, Politics, and Financial Turmoil: Asia's Banking Crisis*. Cambridge University Press, New York, 2005
- Carmen M. Reinhart and Kenneth S. Rogoff. Recovery from financial crises: Evidence from 100 episodes. NBER Working Paper 19823, January 2014
- Enrique G. Mendoza and Marco E. Terrones. An anatomy of credit booms and their demise. *NBER Working Paper*, 18379, 2012
- Look for latest version: Jacopo Ponticelli and Hans-Joachim Voth. Austerity and anarchy: Budget cuts and social unrest in europe, 1919-2008. Working Paper, December 2011

## Conclusion

### Student Presentations

If time permits.