

Political Economy of Growth and Development

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1. Introduction: main issues

Readings:

Easterly, W., 2001, *The Elusive Quest for Growth: Economists' Adventures and Misadventures in the Tropics*, MIT Press.

Helpman, E. (2004), *The Mystery of Economic Growth*, Cambridge, MA: Belknap Press of Harvard University Press.

De Soto, H., 2000, *The Mystery of Capital: Why Capitalism Triumphs in the West and Fails Everywhere Else*, Basic Books.

North, D.C. and R.P. Thomas, 1973, *The Rise of the Western World: A New economic History*, Cambridge University Press, UK.

Olson, M., 1982, *The Rise and Decline of Nations: Economic Growth, Stagflation, and Economic Rigidities*, Yale University Press, New Haven.

2. Preliminaries

2.1. Background growth empirics

Readings:

Barro, R.J., 1997, *The Determinants of Economic Growth*, MIT Press.

Easterly, W. and R. Levine, 2001, "It's not factor accumulation: Stylized facts and growth models," *World Bank Economic Review*.

Pritchett, L., 1997, "Divergence, big time," *Journal of Economic Perspectives*.

2.2. Income distribution

Readings:

Milanovic B., 2003, True World Income Distribution, 1988 and 1993: First Calculation Based on Household Surveys Alone. *Economic Journal*.

2.3. Basic growth models

Readings:

Barro, R.J. and X. Sala-i-Martin, 2003, *Economic Growth*, MIT Press, 2nd ed., Chs. 1, 2.

Jones, C., 2002, *Introduction to Economic Growth*, 2nd ed.

Jones, C., 2005, "Growth and ideas," *Handbook of Economic Growth*.

Lucas, R., 2004, *Lectures on Economic Growth*, Harvard University Press (especially Ch. 2)

3. Basic Tools of Political Economy

3.1. Voting and political competition

Readings:

Persson, T. and G. Tabellini, 2000, *Political Economics: Explaining Economic Policy*, MIT Press, Chs. 2-3.

3.2. Political agency

Readings:

Persson, T. and G. Tabellini, 2000, *Political Economics: Explaining Economic Policy*, MIT Press, Ch. 4.

4. Collective Action and its Limits

4.1. Basic issues and public goods models; equilibrium and efficiency

Readings:

Olson, M., 1965, *The Logic of Collective Action*, Harvard University Press.

Hardin, R., 1995, *One for All. The Logic of Group Conflict*, Princeton University Press.

Bergstrom, T., Blume, L., and H. Varian, 1986, *Journal of Public Economics*.

Ray, D. and J. Esteban, 2001, "Collective action and the group size paradox," *American Political Science Review*, 95, 663-672.

Sandler, T. and R. Cornes, 1996, *The Theory of Externalities, Public Goods and Club Goods*, 2nd ed., Cambridge University Press, Chs. 6, 7.1.

4.2. State intervention

Sandler, T. and R. Cornes, 1996, *The Theory of Externalities, Public Goods and Club Goods*, 2nd ed., Cambridge University Press, Chs. 7.2-7.3.

4.3. Applications to ethnic conflicts

Readings:

Alesina, A., Baqir, R. and W. Easterly, 1999, "Public goods and ethnic divisions," *Quarterly Journal of Economics*, 114, 1243-84.

Easterly, W. and R. Levine, 1997, "Africa's growth tragedy: Policies and ethnic divisions," *Quarterly Journal of Economics*, 112, 1203-50.

5. Policies, inequality and growth

5.1. Theory

Readings

Barro, R.J., 1990, "Government spending in a simple model of endogenous growth," *Journal of Political Economy*, 98, S103-26.

Bénabou, R. 2000. "Unequal Societies: Income Distribution and the Social Contract," *American Economic Review* 90, 96-129.

Persson, T. and G. Tabellini, 1994, "Is inequality harmful for growth?" *American Economic Review*, 84, 60-621.

5.2. Empirics

Readings

Easterly, W. and S. Rebelo, 1993a, "Fiscal policy and economic growth: An empirical investigation," *Journal of Monetary Economics*, 32, 417-458.

Easterly, W. and S. Rebelo, 1993b, "Marginal income tax rates and economic growth in developing countries," *European Economic Review*, 37, 409-417.

Easterly, W., 2005, "National policies and economic growth: A reappraisal," *Handbook of Economic Growth*.

Perotti, R., 1996, "Growth, income distribution, and democracy: What the data say," *Journal of Economic Growth*, 1, 149-187.

6. Institutions and growth: empirics

Readings

Acemoglu, D., Johnson, S. and J. Robinson, 2005, "Institutions as the fundamental cause of long-run growth," *Handbook of Economic Growth*.

Acemoglu, D., Johnson, S. and J. Robinson, 2002, "Reversal of fortune: Geography and institutions in the making of the modern world distribution," *Quarterly Journal of Economics*, 117, 1231-1294.

Besley, T., 1995, "Property rights and investment incentives: Theory and evidence from Ghana," *Journal of Political Economy*, 103, 903-937.

Hall, R. and C. Jones, 1999, "Why do some countries produce so much more output per worker than others?" *Quarterly Journal of Economics*, 114, 83-116.

Knack, S. and P. Keefer, 1995, "Institutions and economic performance: Cross-country tests using alternative institutional measures," *Economics and Politics*, 7, 207-227.

7. Property rights, the state and growth: some theories

Readings

Barzel, Y., 2001, *A Theory of the State: Economic Rights, Legal Rights, and the Scope of the State*, Cambridge University Press.

Gradstein, M., 2004, "Governance and growth," *Journal of Development Economics*.

Skaperdas, S., 1992, "Cooperation, conflict, and power in the absence of property rights," *American Economic Review*, 82, 720-739.

Skaperdas, S., 2003, "Restraining the Genuine Homo Economicus: Why the Economy Cannot Be Divorced from its Governance," *Economics and Politics*.

8. Political systems and growth

8.1. Empirics

Readings

Barro, R.J., 1996, "Democracy and growth," *Journal of Economic Growth*, 1, 1-27.

Boix, C., 2001, "Democracy, development, and the public sector," *American Political Science Review*, 45, 1-17.

Persson, T., 2005, "Forms of democracy, policy and economic development," CEPR WP 4938.

Przeworski, A. and F. Limongi, 1993, "Political regimes and economic growth," *Journal of Economic Perspectives*, 7, 51-69.

8.2. Theories

Readings

Gradstein, M., 2004, "Inequality, democracy, and the emergence of institutions," CEPR Discussion Paper 4187.

Gradstein, M., 2005, "Democracy, property rights, redistribution, and economic growth," mimeo.

Olson, M., 1993, "Dictatorship, democracy, and development," *American Political Science Review*, 87, 567-576.

9. Political economy of bad institutions

Readings

Acemoglu, D., and J. Robinson, 2005, "Economic backwardness in political perspective," *American Political Science Review*,

Gonzalez, F., 2005, "Insecure property and technological backwardness," *Economic Journal*.

Chong, A. and M. Gradstein, 2005, "Inequality and institutions,"

10. Democratization: causes and effects

Readings

Acemoglu, D. and J. Robinson, 2000, "Why did the West extend the franchise? Democracy, inequality and growth in historical perspective," *Quarterly Journal of Economics*, 115, 1167-1199.

Engerman, S. L. and K. L. Sokoloff, 2001, "The evolution of suffrage institutions in the New World," NBER WP 8512.

Justman, M and M. Gradstein, 1999, "Industrial Revolution, Political Transition and the Subsequent Decline in Inequality in Nineteenth-Century Britain," 1999, *Explorations in Economic History*, 36, 109-127.

Lizzeri, A. and N. Persico, 2004, "Why did the elites extend the suffrage? Democracy and the scope of government with application to Britain's 'Age of Reform'," *Quarterly Journal of Economics*, 119, 707-765.

Papaionnou, E. and G. Siourounis, 2004, "Democratization and growth," mimeo.

11. Education

Readings

Gradstein, M., Justman, M. and V. Meier, 2004, *The Political Economy of Education*, MIT Press, Chs. 1-3, 5, 8.