

14.773: Political Economy of Institutions and Development

Daron Acemoglu and Abhijit Banerjee

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This course is intended as an introduction to the newly emerging field of political economy of institutions and development. Its purpose is to give you both a sense of the frontier research topics and a good command of the tools in the area. The reading list is intentionally long, to give those of you interested in the field an opportunity to dig deeper into some of the topics in this area. The lectures will cover the material with *'s in detail and also discuss the material without *'s, but in less detail.

Grading: The course grade will be a combination of a final exam and problem sets, with 25% weight on problem sets.

Course Information:

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Lecture

TTh 10:30-12, E51-151

Recitation

to be determined

1 Introduction

1.1 Introduction, Motivation and Overview (DA, 1 lecture, 02/05)

This lecture will discuss different conceptions of “institutions” in economics and social science, and provide an introduction to the role of institutions in society and economy more generally. It will also begin the discussion of sources of institutional differences. Institutions are implicit or explicit in all economic models. This lecture discusses some salient examples of institutions and emphasizes the element of collective choice in thinking about where economic institutions come from. Some types of institutions, such as markets, may be created by the initiative of private agents, but nearly always their functioning rests on a structure of institutions which result from collective choices.

1. Acemoglu, Daron, *Lecture Notes*, Chapter 1. On the Web.
2. * Coase, Ronald H. (1960) “The Problem of Social Cost,” *Journal of Law and Economics*, 3, 1-44.
3. * Acemoglu, Daron, Johnson, Simon and Robinson, James (2006) “Institutions as a Fundamental Cause of Long-Run Growth” in *Handbook of Economic Growth*, Aghion, Philippe and Durlauf, Steven, eds. Amsterdam; North-Holland.
4. Farrell, Joseph (1987) “Information and the Coase Theorem,” *Journal of Economic Perspectives*, 1, 113-129.
5. * Acemoglu, Daron (2003) “Why Not a Political Coase Theorem?” *Journal of Comparative Economics*, 31, 620-652.
6. Jackson, Matthew O. and Wilkie, Simon (2005) “Endogenous Games and Mechanisms: Side Payments Among Players,” *Review of Economic Studies*, 72, 543-566.
7. * Demsetz, Harold (1967) “Toward a Theory of Property Rights,” *American Economic Review*, 57, 61-70.
8. Allen, Robert C. (1982) “The Efficiency and Distributional Consequences of Eighteenth Century Enclosures,” *Economic Journal*, 92, 937-953.

2 Review Material

The following material will not be covered in the lectures. It will be covered in the recitation.

2.1 Review of Empirical Evidence

This lecture will provide an overview of the effect of “institutions,” broadly construed, on long-run economic performance. Establishing this point in itself is not trivial, because of the severe identification problems in political economy. Moreover, this is only a starting point, since “institutions” here are nothing more than a black box. And clearly there are other factors. The purpose of this lecture is not to cover any of these papers in detail, but to give a brief discussion of different approaches and the various econometric problems involved in understanding the role of institutions.

1. * Acemoglu, Daron, *Lecture Notes*, Chapter 2.
2. Acemoglu, Daron, Johnson, Simon and Robinson, James A. (2001) “The Colonial Origins of Comparative Development: An Empirical Investigation,” *American Economic Review*, 91, 1369-1401.
3. *Acemoglu, Daron, Johnson, Simon and Robinson, James (2002) “Reversal of Fortune: Geography and Institutions in the Making of the Modern World Income Distribution,” *Quarterly Journal of Economics*, 107, 1231-1294.
4. *La Porta, Rafael, Lopez-de-Silanes, Florencio, Shleifer, Andrei, and Vishny, Robert W. (1998) “Law and Finance,” *Journal of Political Economy*, 106, 1113-1155.
5. Pande, Rohini and Udry, Christopher (2005) “Institutions and Development: A View from Below,” to appear in the Proceedings of the 9th World Congress of the Econometric Society, Blundell, Richard ,Newey,W., and Perrson, Torsten
http://www.econ.yale.edu/~rp269/website/papers/institutions_draft.pdf
6. * Acemoglu, Daron and Johnson, Simon (2005) “Unbundling Institutions,” *Journal of Political Economy*, 113, 949-995.
7. * Jones, Benjamin F. and Olken, Benjamin A. (2005) “Do Leaders Matter? National Leadership and Growth Since World War II,” *Quarterly Journal of Economics*, 120, 835-864.
8. *Udry, Christopher and Goldstein, Markus (2005) “The Profits of Power: Land Rights and Agricultural Investment in Ghana,”
<http://www.econ.yale.edu/~cru2/pdf/goldsteinudry.pdf>.
9. Nunn, Nathan (2004) “Slavery, Institutional Devotement and Long-Run Growth in Africa, 1400-2000,” Department of Economics, University of British Columbia.
10. * Banerjee, Abhijit and Iyer, Lakshmi (2005), “History, Institutions and Economic Performance: The Legacy of Colonial Land Tenure Systems in India.” *American Economic Review*, 95, 1190-1213.

11. * Iyer, Lakshmi (2005) “The Long-term Impact of Colonial Rule: Evidence from India”, mimeo Harvard Business School.
12. * Persson, Torsten and Tabellini, Guido (2003) *The Economic Effects of Constitutions: What Do the Data Say?* MIT Press, Cambridge.
13. * Acemoglu, Daron (2005) “Constitutions, Politics and Economic Growth: Review Essay on Persson and Tabellini’s *The Economic Effects of Constitutions*,” *Journal of Economic Literature*, XLIII, 1025-1048.

2.2 Review of Dynamic Games

You need to be familiar with the analysis of dynamic games, in particular, differences between Markov Perfect Equilibria and Subgame Perfect Equilibria, their properties and how they can be computed in simple games.

1. * Acemoglu, Daron, *Lecture Notes*, Chapter 3.
2. * Fudenberg, Drew and Tirole, Jean (1991) *Game Theory*, Cambridge; MIT Press. Chapters 4, 5 and 13.
3. * Acemoglu, Daron (2008) *Introduction to Modern Economic Growth*, Appendix Chapter C. On the Web.

3 Collective Choices and Voting

3.1 Static Models (DA, 2 lectures, 02/07 and 02/12)

1. * Acemoglu, Daron, *Lecture Notes*, Chapter 4.
2. * Acemoglu, Daron (2008) *Introduction to Modern Economic Growth*, Chapter 22. On the Web.
3. Austen-Smith, David and Banks, Jeffrey (1999) *Positive Political Theory: Collective Preference*, Ann Arbor; University of Michigan Press.
4. Persson, Torsten and Tabellini, Guido (2000) *Political Economics: Explaining Economic Policy*, Cambridge; The MIT Press, Chapters 2, 3 and 6.
5. Acemoglu, Daron and Robinson, James (2006) “Chapter 4: Democratic Politics” and “Appendix to Chapter 4: Distribution of Power in Democracy” in *Economic Origins of Dictatorship and Democracy*, Acemoglu, Daron and Robinson, James, eds. Cambridge University Press.
6. * Lindbeck, Assar, and Weibull, Jorgen W. (1987) “Balanced-Budget Redistribution as the Outcome of Political Competition.” *Public Choice* 52: 273-297.

3.2 Introduction to Dynamic Voting (DA, 2 lectures, 02/14 and 02/21)

This lecture provides a basic introduction of voting over a distributive policies in dynamic models, and contrasts myopic versus non-myopic behavior by voters. We will focus on dynamic, game-theoretic models.

1. * Acemoglu, Daron, *Lecture Notes*, Chapters 5 and 6.
2. * Roberts, Kevin (2005) "Dynamic Voting in Clubs," <http://www.nuff.ox.ac.uk/Users/Roberts/pap>
3. * Alesina, Alberto and Rodrik, Dani (1994) "Distributive Politics and Economic Growth" *Quarterly Journal of Economics*, 109, 465-490.
4. * Hassler Jon, Mora, Sevi, Storlesseten, Kjandetil and Zilibotti, Fabrizio (2003) "Survival of the Welfare State," *American Economic Review*, 93, 87-112.
5. * Acemoglu, Daron, Egorov, Georgy and Sonin, Konstantin (2008) "Coalition Formation in Nondemocratic Societies." forthcoming *Review of Economic Studies*.

3.3 Normative Concerns (AB, 1 lecture, 2/26)

1. May, Kenneth (1952). "Set of Necessary and Sufficient Conditions for Simple Majority Decisions." *Econometrica*, 20(4), 680-684.
2. *Dasgupta, Partha and Maskin, Eric, "On the Robustness of Majority Rule", mimeo, Princeton, 2007.

3.4 Multi-dimensional Voting (AB, 1 lecture, 2/28)

1. *Alesina, Alberto, Baqir, Reza and Easterly, William (1999): "Public Goods and Ethnic Divisions", *Quarterly Journal of Economics*; 114(4), pages 1243-84.
2. *Levy, G. (2005). "The politics of public provision of education". *Quarterly Journal of Economics* 120 (4), 1507-1534.
3. Fernandez, R. and Levy, G. (2007). "Diversity and redistribution". mimeo, London School of Economics.
4. *Lizzeri, A. and Persico, N. (2005). "A drawback of electoral competition". *Journal of the European Economic Association* 3 (4), 1318-1348.
5. *Myerson, Roger "Effectiveness of Electoral Systems for Reducing Government Corruption: A Game Theoretic Analysis," *Games and Economic Behavior*, 5, 118-132.

3.5 Do Politicians Represent Voters? (AB, 1 lecture, 3/4)

1. Alesina, Alberto. (1988). "Credibility and Policy Convergence in a Two-Party System with Rational Voters." *American Economic Review* 78: 796-805.
2. Alesina, Alberto. (1987). "Macroeconomic Policy in a Two-Party System as a Repeated Game." *Quarterly Journal of Economics* 102: 651-678.
3. *Besley, Timothy, and Coate, Stephen. (1997). "An Economic Model of Representative Democracy." *Quarterly Journal of Economics* 112: 85-114.
4. *Pande, Rohini, "Minority Representation and Policy Choices: The Significance of Legislator Identity", mimeo 2000.
5. *Chattopadhyay, Raghendra and Duflo, Esther. "Women as Policy Makers: Evidence from an India-wide Randomized Policy Experiment", mimeo, 2004.
6. Levitt, Steve. "How do Senators Vote? Disentangling the Role of Voter Preferences, Party Affiliation and Senator Ideology", *American Economic Review*, 86(3):425-441.
7. *Banerjee, Abhijit and Pande, Rohini, "Parochial Politics", Mimeo, Harvard University, 2007.

3.6 Do Voters Know What They Want? (AB, 1 lecture, 3/6)

1. *Piketty, Thomas, (1995) "Social Mobility and Redistributive Politics, *Quarterly Journal of Economics*, 110.
2. *Benabou, Roland and Ok, Efe, "Social Mobility and the Demand for Redistribution", *Quarterly Journal of Economics*, May, 2001.
3. Austen-Smith, David (1991) "Rational Consumers and Irrational Voters," *Economics and Politics*, 3:73-92.
4. *Alesina, Alberto and Eliana La Ferrara, "Preference for Redistribution in the Land of Opportunities", mimeo, Harvard, July 2000.

4 Collective Action

4.1 Constraints on Collective Action (AB, 2 lectures, 3/11 and 3/13)

1. Putnam, Robert D. (1993): "Making democracy work: civic traditions" in *Modern Italy*, Princeton University Press.

2. *Banerjee, Abhijit, Lakshmi Iyer and Rohini Somanathan, "Public Action for Public Goods", forthcoming in Handbook of Development Economics, Chapter 4, Shultz, T. Paul ed.
3. *Ray, Debraj and Esteban, Joan Maria (2001) "Collective Action and the Group Size Paradox", American Political Science Review, 95, 663-672.
4. Dayton-Johnson, Jeff and Bardhan, Pranab (2002) "Inequality And Conservation On The Local Commons: A Theoretical Exercise," Economic Journal, 112, 577-602.
5. *Miguel, Edward (2004) "Ethnic Diversity and School Funding in Kenya", mimeo.
6. *Banerjee, Abhijit, Munshi, Kaivan D., Mookherjee, Dilip and Ray, Debraj (2001) "Inequality, Control Rights, and Rent Seeking: Sugar Cooperatives in Maharashtra," Journal of Political Economy, 109, 138-190.
7. *Alesina, Alberto, Baqir, Reza and Hoxby, Caroline (2004) "Political Jurisdictions in Heterogeneous Communities", Journal of Political Economy.
8. *Khwaja, Ijaz, Asim (2000) "Can good projects succeed in bad communities? Collective Action in the Himalayas," working paper, department of economics, Harvard University.
9. *Gugerty, Mary Kay and Kremer, Michael (2004) "The Rockefeller Effect," mimeo, Harvard.
10. *Kremer, Michael and Miguel, Ted (2004) "The Illusion of Sustainability," mimeo, Harvard.
11. *Miguel, Ted, "Tribe or Nation?: Nation Building and Public Goods in Kenya versus Tanzania", World Politics - Volume 56, Number 3, April 2004, 327-362.

4.2 Promoting Collective Action (AB, 2 lectures, 3/18 and 3/20)

1. *Banerjee, Abhijit and Somanathan, Rohini, "A simple model of voice", The Quarterly Journal of Economics.
2. *Banerjee, Abhijit et al, (2006). "Can Information Campaigns Spark Local Participation and Improve Outcomes? A Study of Primary Education in Uttar Pradesh, India," World Bank Policy Research Working Paper no. 3967.
3. Banerjee, Abhijit and Duflo, Esther (2006), "Addressing Absence" The Journal of Economic Perspectives, Volume 20, Number 1, Winter 2006 ,117-132(16)
4. *Banerjee, Abhijit et al, (2007), "Pitfalls of Participatory Programs: Evidence from three randomized experiments in education in India", mimeo MIT.

5. *Olken, Benjamin (2005). "Monitoring Corruption: Evidence from a Field Experiment in Indonesia," NBER Working Paper No. 11753.
6. *Duflo, Esther, Dupas, Pascaline and Kremer, Michael (2007), "Peer Effects, Pupil Teacher Ratios, and Teacher Incentives: Evidence from a Randomized Evaluation in Kenya", mimeo MIT
7. *Björkman, Martina and Svensson, Jakob, (2006). "Power to the People: Evidence from a Randomized Experiment of a Citizen Report Card Project in Uganda", mimeo, IIES, Stockholm University.
8. Jimenez, E. and Sawada, Y. (1999). "Do community-managed schools work? An evaluation of El Salvador's EDUCO program," World Bank Economic Review, 13(3): 415-441
9. *Kremer, Michael, and C Vermeesh, (2005). School committee empowerment: Preliminary notes. Mimeo, Harvard University.

5 Political Agency and Democratic Failure

5.1 Democratic Control of Politicians (DA, 1 lecture, 04/01)

Elections as a method of control of politicians. Stationary versus nonstationary strategies.

1. * Acemoglu, Daron, *Lecture Notes*, Chapter 7.
2. Barro, Robert (1973) "The Control of Politicians: An Economic Model," *Public Choice*, 14, 19-42.
3. Ferejohn, John (1986) "Incumbent Performance and Electoral Control," *Public Choice*, 50, 5-25.
4. * Person, Torsten and Tabellini, Guido (2000) *Political Economics: Explaining Economic Policy*, Cambridge; The MIT Press.
5. * Acemoglu, Daron, Golosov, Michael and Tsyvinski, Aleh (2008) "Political Economy of Mechanisms" forthcoming *Econometrica*.
6. * Besley, Timothy (2006) *Principled Agents? The Political Economy of Good Government*. Oxford University Press.
7. Banks, Jeffrey and Sundaram, Rangarajan (1998) "Optimal Retention in Agency Models," *Journal of Economic Theory*, 82, 293-323.
8. Persson, Torsten, Roland, Gerard and Tabellini, Guido (1997) "Separation of Powers and Political Accountability" *Quarterly Journal of Economics*, 112, 1163-1202.

9. Persson, Torsten, Roland, Gerard and Tabellini, Guido (2000) "Comparative Politics and Public Finance," *Journal of Political Economy*, 108, 1121-1161.

5.2 Failures of Electoral Control (DA, 1 lecture, 04/03)

Failure of political accountability. Partisan bias, lobbying, weakly-institutionalized polities.

1. * Acemoglu, Daron, *Lecture Notes*, Chapters 8 and 9.
2. * Grossman, Gene M., and Helpman, Elhanan (1994) "Protection for Sale." *American Economic Review* 84, 833-850
3. Grossman, Gene M., and Helpman, Elhanan (1996) "Electoral Competition and Special Interest Politics." *Review of Economic Studies* 63, 265-286.
4. Dixit, Avinash, Grossman, Gene and Helpman, Elhanan (1997) "Common Agency and Coordination: General Theory and Application to Tax Policy", *Journal of Political Economy*.
5. * Acemoglu, Daron and Robinson, James (2006) "Appendix to Chapter 4: Distribution of Power in Democracy" in *Economic Origins of Dictatorship and Democracy*, Acemoglu, Daron and Robinson, James, eds., Cambridge University Press.
6. Acemoglu, Daron, Egorov, Georgy and Sonin, Konstantin (2008) "A Theory of Bad Governments," mimeo.
7. * Acemoglu, Daron, Robinson, James A. and Verdier, Thierry (2004) "Kleptocracy and Divide-and-Rule: A Model of Personal Rule," The Alfred Marshall Lecture", *Journal of the European Economic Association Papers and Proceedings*, 2004, 162-192.
8. * Padro-i-Miguel, Gerard (2008) "The Control of Politicians in Divided Societies: Politics of Fear," *Review of Economic Studies*.

5.3 Economic Institutions under Elite Domination (DA, 1 lecture, 04/08)

This lecture presents some tractable models of the determination of economic institutions and policies when a particular group is in power. The potential inefficiencies that arise because of the desire of the group in power to extract rents is contrasted with policy determination in the classical public finance approach.

1. * Acemoglu, Daron, *Lecture Notes*, Chapter 10.

2. * Acemoglu, Daron (2005) "Modelling Inefficient Institutions," *Advances in Economic Theory World Congress 2006*,
http://econ-www.mit.edu/faculty/download_pdf.php?id=1214
3. * Acemoglu, Daron (2008) *Introduction to Modern Economic Growth*, Chapter 22. On the Web.
4. Acemoglu, Daron and Robinson, James A. (2006) "Economic Backwardness in Political Perspective," *American Political Science Review*, 2006 February.
5. Mirrlees, James (1985) "The Theory of Optimum Taxation", in the *Handbook of Mathematical Economics*, eds. Arrow and Intriligator, Vol.III, North-Holland, 1985
6. Atkinson, Anthony and Stiglitz, Joseph E. (1980) *Lectures on Public Economics*, New York; McGraw-Hill, Chapter 11.

6 Corruption

6.1 Measuring corruption (AB, 1 lecture, 4/10)

1. *Banerjee, Abhijit , Deaton, Angus and Duflo, Esther. "Health Care Delivery in Rural Rajasthan," February 2004, (2-28-04) *Economic and Political Weekly*, 944-949.
2. *Chaudhury, Nazmul, Hammer, Jeffrey, Kremer, Michael, Muralidharan, Karthik, and F. Rogers, Halsey (2006). "Missing in Action: Teacher and Health Worker Absence in Developing Countries," *Journal of Economic Perspectives* 20(1), 91-116.
3. *Reinikka, Ritva and Svensson, Jacob (2004) "Local Capture: Evidence from a Central Government Transfer Program in Uganda," *Quarterly Journal of Economics*, 119, 679-705.
4. Svensson, Jacob (2003) "Who must pay bribes and how much? Evidence from a cross-section of firms," *Quarterly Journal of Economics*, 118, 207-30.
5. *Olken, Benjamin (2005). "Monitoring Corruption: Evidence from a Field Experiment in Indonesia," NBER Working Paper No. 11753.
6. Banerjee, Abhijit and Pande, Rohini, "Parochial Politics", Mimeo, Harvard University, 2007.
7. *Fisman, Ray (2001) "Estimating the Value of Political Connections," *American Economic Review*, 91, 1095-1102.
8. *Fisman, Ray and Wei, Shang-Jin "Tax Rates and Tax Evasion: Evidence from "Missing Imports" in China", *Journal of Political Economy*, 112, 2004.

9. *Bertrand, Marianne, Hanna, Rema and Mullainathan, Sendhil, (2006) " Does Corruption Produce Unsafe Drivers?", mimeo, Harvard University.

6.2 Theorizing Corruption (AB, 2 lectures 4/15 and 4/17)

1. Shleifer, Andrei and Vishny, Robert (1992) "Corruption," Quarterly Journal of Economics, 108, 599-618.
2. Shleifer, Andrei and Vishny, Robert (1992) "Politicians and Firms," Quarterly Journal of Economics, 109, 995-1026.
3. *Djankov, Simeon, La Porta, Rafael, Lopez-de-Silanes, Florencio and Shleifer, Andrei (2002), "The Regulation of Entry," Quarterly Journal of Economics, 117, 1-37.
4. The World Bank, Doing Business in 2004.
5. *Olken, Ben and Barron, Patrick, "The Simple Economics of Extortion: Evidence from Trucking in Aceh", mimeo, NBER, 2007.
6. *Murphy, Kevin, Shleifer, Andrei and Vishny, Robert. "Why Is Rent-Seeking so Costly to Growth?" American Economic Review, Papers and Proceedings, 83, 409-414.
7. *Banerjee, Abhijit (1997) "A Theory of Misgovernance" Quarterly Journal of Economics, 112, 1289-1332.
8. *Jean-Jacques Laffont and Tirole, Jean (1993), Chapter 11 of A Theory of Incentives in Procurement and Regulation, MIT Press.
9. Acemoglu, Daron and Verdier, Thierry (1998) "Property Rights, Corruption and the Allocation of Talent: A General Equilibrium Approach." Economic Journal, 108, 1381-1403.
10. Acemoglu, Daron and Verdier, Thierry (2000) "The Choice Between Corruption and Market Failures," American Economic Review, 90, 194-211.6

6.3 Fighting Corruption (AB, 1 lecture, 4/24)

1. *Di Tella, Rafael and Schargrodsky, Ernesto (2003) "The Role of Wages and Auditing during a Crackdown on Corruption in the City of Buenos Aires," Journal of Law and Economics, 46, 269-92.
2. *Duflo, Esther, and Hanna, Rema (2006). "Holding Teachers Accountable: Evidence from a Randomized Evaluation in India." Working Paper, MIT Poverty Action Lab.

3. *Muralidharan, K, and Sundararamanv, V., (2006). “Teacher Incentives in Developing Countries: Experimental Evidence from India,” mimeo, Harvard University.
4. *Banerjee, Abhijit, Duflo, Esther, and Glennerster, Rachel, (2008). “Putting a Band-Aid on a Corpse: Incentives for Nurses in the Indian Public Health Care System,” *Journal of European Economic Association*, Proceedings, 6.2-3, April-May, forthcoming.

7 Modeling Institutions

This part of the course will focus on using the insights from the previous part to develop models of institutions.

7.1 The Role of the State and Different Political Regimes (DA, 1 lecture, 04/29)

This lecture will discuss how democratic and oligarchic societies may generate different types of growth-enhancing and growth-retarding policies, and how inefficient political systems may endogenously change or remain in place despite their adverse effects. This will open the way for the later discussion of the endogenous emergence of (political) institutions. It will also discuss the role of the state in fostering or preventing economic growth.

1. * Acemoglu, Daron, *Lecture Notes*, Chapters 12 and 13.
2. * Acemoglu, Daron (2008) *Introduction to Modern Economic Growth*, Chapter 23. On the Web.
3. * Acemoglu, Daron (2008) “Oligarchic versus Democratic Societies,” *Journal of European Economic Association*
4. Olson, Mancur (1982) *The Rise and Decline of Nations: Economic Growth, Stagflation, and Economic Rigidities*, Yale University Press, New Haven and London.
5. Krusell, Per and Rios-Rull, Jose-Victor (1996). “Vested Interests in a Positive Theory of Stagnation and Growth,” *Review of Economic Studies* 63, 301-329.
6. * Acemoglu, Daron (2005) “Politics and Economics in Weak and Strong States” *Journal of Monetary Economics*, 52, 1199-1226.
7. Tilly, Charles (1990) *Coercion, Capital and European States, AD 990-1990*, Blackwell, Cambridge MA.
8. Tilly, Charles (1985) “War Making and State Making as Organized Crime,” in P. Evans, D. Rueschmeyer and T. Skocpol eds. *Bringing the State Back In*, Cambridge University Press.

9. Herbst, Jeffery I. (2000) *States and Power in Africa: Comparative Lessons in Authority and Control*, Princeton University Press, Princeton NJ.
10. Evans, Peter (1989) "Predatory, Developmental and Other Apparatuses: A Comparative Political Economy Perspective on the Third World State," *Sociological Forum*. 4(4):561-587 (December, 1989).

7.2 Institutional Change and Democratization (DA, 1 lecture, 05/01)

This lecture will first provide a basic model of nondemocratic politics and highlight central commitment problems involved in such interactions. It will then introduce the basic models of institutional change in the context of transitions from nondemocratic to democratic politics.

1. * Acemoglu, Daron, *Lecture Notes*, Chapters 15 and 16.
2. * Acemoglu, Daron and Robinson, James (2006) *Economic Origins of Dictatorship and Democracy*, Cambridge University Press, Chapters 5 and 6.
3. North, Douglass C. and Weingast, Barry R. (1989) "Constitutions and Commitment: Evolution of Institutions Governing Public Choice in Seventeenth Century England," *Journal of Economic History*, 49, 803-832.
4. * Acemoglu, Daron and Robinson, James A. (2000) "Why Did the West Extend the Franchise? Growth, Inequality and Democracy in Historical Perspective", *Quarterly Journal of Economics*, CXV, 1167-1199.
5. Llavador, Humberto and Oxoby, Robert J. (2005) "Partisan Competition, Growth, and the Franchise," *Quarterly Journal of Economics*, 120, 1155-1192.
6. Jack, William and Lagunoff, Roger (2003) "Dynamic Enfranchisement," Department of Economics, Georgetown University.
7. Moore, Barrington (1966) *The Social Origins of Dictatorship and Democracy: Lord and Peasant in the Making of the Modern World*, Beacon Press, Boston MA.
8. Lagunoff, Roger (2006) "Markov Equilibrium in Models of Dynamic Endogenous Political Institutions" <http://www.georgetown.edu/faculty/lagunoff/>
9. * Lagunoff, Roger (2006) "Dynamic Stability and reform of Political Institutions," <http://www.georgetown.edu/faculty/lagunoff/>

7.3 Repression, Coups, Democratic Consolidation. Economic Structure and Democracy(DA, 1 lecture, 05/06)

This lecture will discuss the other side of institutional change, the issue of transitions from democracy to nondemocracy and democratic consolidation. It will then present a number of further issues in the emergence and consolidation of democratic regimes, including the role of the middle class, the role of economic structure and economic institutions, and the effects of globalization.

1. * Acemoglu, Daron, *Lecture Notes*, Chapters 17 and 18.
2. * Acemoglu, Daron and Robinson, James (2006) *Economic Origins of Dictatorship and Democracy*, Cambridge University Press, Chapters 7-10.
3. * Acemoglu, Daron and Robinson, James A. (2001) "A Theory of Political Transitions," *American Economic Review*, Vol. 91, pages 938-963.

7.4 Modeling Persistence and Change in Institutions (DA, 1 lecture, 05/08)

This lecture expands on the analysis of dynamic models presented so far to show how institutional change can coexist with institutional persistence in different spheres.

1. * Acemoglu, Daron, *Lecture Notes*, Chapter 19.
2. *Acemoglu, Daron and Robinson, James A. (2008) "Persistence of Power, Elites and Institutions," forthcoming *American Economic Review*.
3. Arthur, W. Brian. (1989) "Competing Technologies, Increasing Returns and Lock-In by Historical Events," *Economic Journal*, 1989, 99(1), pp. 106-131.
4. Coate, Stephen and Morris, Stephen E. (1999) "Policy Persistence." *American Economic Review*, 1999, 89(5), pp. 1327-1336.
5. Engerman, Stanley L. and Sokoloff, Kenneth L. (1997) "Factor Endowments, Institutions, and Differential Growth Paths among New World Economies" in *How Latin America Fell Behind*, Stephen Haber ed., Stanford: Stanford University Press, 1997.
6. Brenner, Robert (1976) "Agrarian Class Structure and Economic Development in Pre-Industrial Europe," *Past and Present*, 70, 30-75.
7. Thelen, Kathleen (2004) *How institutions evolve: the political economy of skills in Germany, Britain, the United States, and Japan*, New York; Cambridge University Press.

7.5 Modeling Constitutions (DA, 1 lecture, 05/13)

This lecture will discuss how one might think of the role of constitutions.

1. * Acemoglu, Daron, *Lecture Notes*, Chapter 21.
2. Mailath, George J., Morris, Stephen and Postelwaite, Andrew (2001) “Laws and Authority,”

<http://www.econ.yale.edu/~sm326/authority.pdf>

1. * Barbera, Salvador and Jackson, Matthew (2004) “Choosing How to Choose: Self-Stable Majority Rules and Constitutions,” *Quarterly Journal of Economics*, 119, 1011-1048.
2. * Acemoglu, Daron, Egorov, Georgy and Sonin, Konstantin (2008) “Dynamics and Stability of Constitutions, Coalitions and Clubs,” mimeo.
3. Caplin, Andrew S. and Nalebuff, Barry (1988) “On 64% Majority Rule,” *Econometrica*, 56, 787-814.
4. Koray, Semih (2000) “Self-Selective Social Choice Functions Verify Arrow and Gibbard-Satterthwaite Theorems,” *Econometrica*, 68, 981-995.
5. Weingast, Barry R. (1998) “Political Stability and Civil War: Institutions, Commitment, and American Democracy,” in *Analytic Narratives*. Bates, Robert, Greif, Avner, Levi, Margaret, Rosenthal, Jean-Laurent and Weingast, Barry R. eds., Princeton; Princeton University Press.
6. McGuire, Robert A. (1988) “Constitution Making: A Rational Choice Model of the Federal Convention of 1787,” *American Journal of Political Science*, 32, 483-522.
7. Mazzuca, Sebastián and Robinson, James A. (2005) “Political Conflict and Power-sharing in the Origins of Modern Colombia,”

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